

PA 87-550

1989

FINAL

C2

STATE OF CONNECTICUT

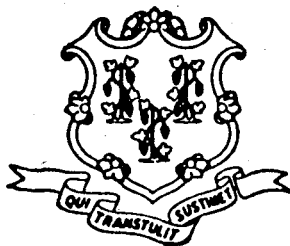
BLUE RIBBON COMMISSION

HOUSING REPORT

**TO THE
GOVERNOR
AND THE
GENERAL ASSEMBLY**

1989





STATE OF CONNECTICUT
BLUE RIBBON COMMISSION ON HOUSING
REPORT AND RECOMMENDATIONS
TO THE
GOVERNOR
AND
GENERAL ASSEMBLY
FEBRUARY 1, 1989

RECEIVED

FEB 16. 89

LEGISLATIVE LIBRARY

87-L-90550
Final cop 2

Commissioner John F. Papandrea
Arthur T. Anderson
Co-Chairmen

William J. McDonough
Executive Director



Blue Ribbon Commission
On Housing
State Capitol — Room 509
Hartford, Connecticut 06106

Co-Chairmen
Commissioner John F. Papandrea
Arthur T. Anderson

Executive Director
William J. McDonough
203-240-8878

February 1, 1989

The Honorable William A. O'Neill, Governor
Representative Richard J. Balducci, Speaker of the House of
Representatives
Senator John B. Larson, President Pro Tempore
Representative Robert Jaekle, Minority Leader
Senator Reginald J. Smith, Minority Leader
State of Connecticut
State Capitol

Dear Governor O'Neill, Speaker Balducci, Senator Larson,
Representative Jaekle, and Senator Smith:

The Blue Ribbon Commission on Housing is pleased to present its
final report and recommendations.

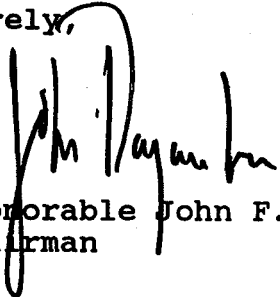
Over the past year and a half, a combined total of forty-four
private citizens have volunteered enormous amounts of their
time, working with legislative leadership and key staff of the
Department of Housing, the Connecticut Housing Finance
Authority, the Office of Policy and Management, and other
related state agencies, to develop two sets of recommendations
to improve the housing situation in the state. The initial
recommendations of the Commission, presented in March, 1988, met
with considerable approval in the legislature and resulted in,
among other successes, the development of the Connecticut
Housing Partnership program and the PRIME financing program.
Each of these initiatives provides a tremendous step forward in
addressing the complex set of housing issues and opportunities
that confront the state. The second and final set of
recommendations of the Commission is presented in this report.

Governor O'Neill
Speaker Balducci
Senator Larson
Representative Jaekle
Senator Smith
Page Two

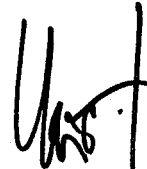
The Commission is confident that its more than fifty recommendations, when taken as a whole, fulfill its responsibility to provide constructive guidance in the development of a comprehensive housing strategy for the state. In addition, we believe that open and sometimes heated discussion of some of the challenging ideas recommended in the report will provide an important, additional educational function. We respectfully request that our ideas be openly discussed and endorsed by the Governor and the General Assembly.

Throughout the period of our deliberations, the housing crisis continued to threaten the welfare of our citizens and the economic prosperity of our business community. We believe that, if the recommendations made by the Commission are adopted, great progress can be made in producing new affordable housing, preserving existing affordable housing, preventing homelessness, and planning land use strategies that benefit all our citizens.

Sincerely,



The Honorable John F. Papandrea
Co-Chairman



Arthur T. Anderson
Co-Chairman

BLUE RIBBON COMMISSION ON HOUSING

REPORT AND RECOMMENDATIONS

TABLE OF CONTENTS

	<u>Page</u>
Executive Summary of Recommendations (1989)	i
I. Introduction	1
A. The Blue Ribbon Commission on Housing	2
B. Role of the Federal Government in Housing	2
C. Recent Judicial Decisions Affecting Housing	4
II. Housing Needs in the State	7
III. Recommendations of the Commission	10
A. Production and Finance	11
B. Preservation	18
C. Prevention	19
D. Land Use Planning and Education	20
IV. Appendices	
A. Land Use Subcommittee Report	A-1
B. Finance and Programs Subcommittee Report	B-1
C. Housing Production Subcommittee Report	C-1
D. Executive Summary of Recommendations (1988)	D-1
E. Guest Speakers, 1987-1989	E-1
F. Roster of Commission Members, 1987-1989	F-1

BLUE RIBBON COMMISSION ON HOUSING

EXECUTIVE SUMMARY OF RECOMMENDATIONS - 1989

Land Use Recommendations

1. Inland Wetlands and Watercourses - revise statutes to provide for an effective time limit for decisions on requests for inland wetlands and watercourses permits.
2. Abutters' Appeals - amend statutes to provide that persons wishing to appeal a planning and zoning commission decision approving an Affordable Housing Development must establish aggrievement in fact, regardless of their proximity to the proposed development.
3. Affordable Housing Appeals Procedure - establish a procedure whereby decisions of local land use commissions rejecting an application which would lead to the development of affordable housing can (a) be appealed in an expeditious manner, and (b) be judged as to whether the local commission properly considered the need for affordable housing in the community.
4. Land Use Education Council - establish the Land Use Education Council as a permanent body and fund an Office of Land Use Education to coordinate land use education activities in the state.
5. Inclusionary Zoning - adopt legislation establishing in general terms that municipalities have the power to adopt various "inclusionary" zoning and subdivision regulations requiring the development of housing affordable by persons of low and moderate income.
6. Special Permits - develop technical assistance package to guide municipalities in development of innovative zoning/land use techniques to facilitate development of affordable housing.
7. Minimum Lot Size - develop specific maximum land areas that can be specified as minimum lot size that under normal conditions will protect public health, taking into account various soil types and water supply patterns.
8. Conveyance Tax - institute an additional mandatory local conveyance tax of 0.34% on all real estate transactions which exceed a sales price of \$100,000. Revenues will remain with the municipality in which they are raised, for use exclusively for the development of affordable housing or for infrastructure costs directly associated with the development of new affordable housing in the town. Town must be a member of the Connecticut Housing Partnership (CHPP) program and use monies on a CHPP project. Money not used within three years reverts to the Department of Housing for affordable housing projects.

Finance and Programs Recommendations

9. Rental Assistance Program - increase appropriations for RAP and maintain broad-based RAP program not directed primarily to emergency assistance component.
10. Homelessness Prevention Loan Program - create two-year pilot program administered by Department of Human Resources to provide one-time loans of @ \$1000 per family or individual in final stage of eviction proceedings. Careful screening to select those most likely to repay loan.
11. Housing Assistance Entitlement Program - adopt policy to provide housing assistance to all whose incomes are less than 50% of area median.
12. State Moderate Rental Housing Operating Subsidies - provide on-going subsidies, where needed, to owners of housing built with state's Moderate Rental Housing program for maintenance, rehabilitation and management.
13. Public Housing State Commitment - promote development of new public housing by housing authorities using full scope of available housing finance programs.
14. Non-Profit Administrative Costs Program - fund Administrative Costs Program at \$2 million level annually.
15. Non-Profit Pre-Development Costs - reimburse non-profits, from Pre-Development Costs Program, for reasonable share of organization's project-related administrative costs.
16. Highway Transport of Mobile/Manufactured and Modular Housing - amend statutes governing transport of such units on state highways to extend time parameters and length/width allowances.
17. Connecticut Housing Trust Fund - create Connecticut Housing Trust Fund to finance affordable housing production and to provide direct assistance to low- and moderate-income homeowners and renters. Financing mechanism must be renewable and predictable revenues and interest, other than traditional General Fund appropriations and bonds authorizations.
18. Re-use of Railroad Spurs - create Task Force to determine feasibility of developing surplus rail properties for mixed-use purposes, especially mixed-income housing.

Finance and Programs Recommendations

19. Anti-Displacement Policy - ensure that involuntary displacement in connection with a DOH- and DED-funded housing or community development be reduced to minimum level consistent with achieving objectives of program.

20. Employer-Assisted Housing - encourage development of employer-assisted housing programs.

21. Site Value Taxation - create Task Force to study feasibility of innovative site-value taxation as means of stimulating development of affordable housing.

22. PRIME Policy and Program Commitment - confirm and expand state's commitment to PRIME by ensuring capital funds and RAP subsidies to finance anticipated demand over next two years, currently estimated at 2500 units (900 for low-income households).

23. Homeownership Program - implement a single-family new construction program for households earning up to 80% of area median income.

24. Journeymen/Apprentice Ratios - support action taken by Labor Commissioner in waiving enforcement of three-to-one ratio for journeymen-to-apprentice, and substituting a one-to-one ratio. Commission recommends that a one-to-one ratio be maintained, but does not recommend new legislation.

25. Condominium Conversions - create legislation requiring local planning commission approval for condominium conversions. Factors to consider include: extent to which conversion promotes or detracts from town's duty under statutes to encourage development of housing opportunities; likely impact on town's rental market; extensiveness of tenant displacement; and extent to which tenants are likely to buy their own units.

I. INTRODUCTION

This report contains three sections. Section I provides background on the Commission and on a number of items which are integrally related to the affordable housing crisis. It summarizes the Commission's first (1988) round of recommendations and their progress in the General Assembly. It discusses, briefly, the failure of the federal government to develop or adequately fund a comprehensive housing program, and reviews three recent judicial decisions which may have a significant impact on the development of housing in the state. Section II reviews the results of fifteen Regional Housing Needs Assessments. These studies, completed in 1988, quantify by region, the types of deficient housing units in the state. Section III discusses the recommendations of the Commission in relation to a comprehensive housing strategy for the state. The specific recommendations of the Commission and the detailed background and support statements for each are contained in the Subcommittee reports which are presented in the Appendix.

The Commission is submitting twenty-five new recommendations to the General Assembly and the Governor. These recommendations, if adopted, will enhance the capacity of the state to encourage and support (a) the production of new affordable housing, (b) the preservation of existing affordable housing, (c) the prevention of homelessness, and (d) the participation of the public and the private sectors in more comprehensive land-use planning and education efforts. The Commission commends each of these recommendations to the General Assembly and the Governor and hopes that each recommendation will be adopted as part of a comprehensive plan to meet the housing needs of the state.

I-A. Background: The Blue Ribbon Commission On Housing

Public Act 87-550 (AN ACT CONCERNING THE DEVELOPMENT OF A STATE-WIDE MASTER HOUSING PLAN AND THE ESTABLISHMENT OF A COMMISSION TO STUDY HOUSING NEEDS, POLICIES AND PROGRAMS) established the Blue Ribbon Commission on Housing and directed the Commission to report its findings and recommendations to the General Assembly and the Governor. During the final months of 1987 and the first two months of 1988, the Commission, comprised of thirty-two volunteer members and nine designated ex-officio members, met and discussed the housing crisis in the state. In March, 1988, the Commission presented its first Report and Recommendations to the Governor and General Assembly. That 1988 report contained twenty-six recommendations concerned primarily with administrative and program issues. Of the twenty-six recommendations, nineteen were specific requests for legislative action. An Executive Summary of the Recommendations (1988) is contained in Appendix D of this report. Twelve of the nineteen recommendations resulted in legislation being passed and signed into law. The two principal achievements of that period were the development of the Connecticut Housing Partnership program and the PRIME financing program. Some recommendations, particularly those relating to land use regulations, did not result in legislation being passed. These included a recommendation prohibiting the adoption of minimum floor area requirements for residential dwellings, one requiring the zoning of at least some land to accommodate multifamily housing not designated for use by the elderly, and one proposing the development, after appropriate study, of specific maximum land areas that can be specified as minimum lot sizes. The final recommendation of the 1988 report suggested that the Commission be extended for nearly another year.

As a result of legislation passed during the 1988 session of the General Assembly, the Commission was expanded to thirty-nine volunteer members and fifteen ex-officio members. The Commission met throughout the year. Relying on additional information provided by recent housing studies and from outside sources, as well as on a more exhaustive examination of critical political and financial issues, the Commission prepared the additional twenty-five Recommendations (1989) contained in this report.

I-B. Background: Role of the Federal Government in Housing

Connecticut's Blue Ribbon Commission on Housing was formed in 1987. It conducted its deliberations during the final eighteen months of the presidency of Ronald Reagan. During the eight years of that administration, federal housing policy shifted

away from production-oriented housing programs, and federal funding for housing programs decreased. The level of the withdrawal of the federal government is reflected in a brief review of data on relevant federal housing financing programs:

- Federal support for subsidized housing programs has decreased by more than 75% in the last eight years, from \$32 billion in 1981 to less than \$8 billion in 1987.

- Congress has extended the time during which states may issue tax-exempt bonds to finance first-time homebuyers' mortgages. However, the extension lasts only through 1989.

- The low-income housing tax credit (LIHTC), the single remaining tax credit designed by the federal government to stimulate the construction and/or rehabilitation of low-income housing, was not extended by the Congress, although regulations relating to when a credit eligible project is put into service have been relaxed. The LIHTC is currently scheduled to expire at the end of 1989.

- While federal subsidies to house the poor were \$8 billion in 1987, federal tax subsidies to homeowners, in the form of mortgage-interest tax deductions, amounted to \$30 billion in 1987.

- In recognizing the crisis of homelessness last year, the Congress passed and the President signed into law the \$1.3 billion Stewart B. McKinney Homeless Assistance Act. Funds were authorized to finance two years of the program's operations: \$634 million for 1989 and \$656 million for 1990. However, spending legislation appropriated only \$378 of the \$634 million for 1989. Moreover, lawyers for homeless advocates had to sue the federal government to move those funds through the bureaucracy.

- The national debt has soared over the decade from \$1.1 trillion to \$2.6 trillion (\$2,600,000,000,000). Interest payments alone on this debt cost the federal government @ \$120,000,000,000 per year, or more than fifteen times what the federal government intends to spend on subsidized housing next year.

While there is reason to hope that the federal executive branch has recognized the seriousness of the nation's housing crisis, proposed financial strategies to address the crisis will certainly be limited by the concurrent growing awareness that the federal deficit cannot be allowed to continue to increase. Efforts to approach balancing the federal budget may result in further reductions in federal spending or, at best, in reluctant and modest increases.

The summary, of course, is not encouraging. Moreover, patterns of declining federal involvement in housing are not trends easily reversed. Even a gentler and kinder political ideology in the federal government could not meaningfully reverse such trends for three years or more. The federal government's policies, thus, have had, and will apparently continue to have, an adverse impact on our state's housing crisis. To meet obligations to its low- and moderate-income residents in the absence of significant federal government participation, the state must not only make a substantial on-going financial commitment, but must also marshall together all the forces of the private sector, all the available good will of various municipalities, all the strengths and idealism of the non-profit corporations and the all of the political leadership of the legislative and executive branches of government.

I-C. Background: Judicial Decisions Affecting Housing

While legislators and executives at every level of government weigh the political and financial costs of various housing strategies, important decisions relating to housing are being made by the other branch of government -- the judiciary. Several such decisions rendered in 1988 by various courts may have significant impact on the way affordable housing is dealt with in the future. Judicial decisions can be narrow and specific, or they can be broad and sweeping. Three recent open-ended judicial decisions may significantly alter housing policy options throughout the state.

(1) East Hampton, Connecticut / Economic Discrimination

In Builders Service Corporation, Inc. v. Planning and Zoning Commission of the Town of East Hampton, the Connecticut Supreme Court, by a three-to-two vote, struck down the portion of East Hampton's zoning ordinance which required single-family houses in one part of the town to have a minimum floor area of at least 1,300 square feet. The court said that East Hampton did not justify its zoning ordinance by public health or safety concerns, nor by proving that the larger-sized units would conserve the value of surrounding housing.

The court held that it was not sufficient for a town merely to provide some zones where smaller housing units were permitted (and where persons of lesser financial means could find housing). Rather, the court's ruling appears to imply that since C.G.S. 8-2 requires the development of housing opportunities for all citizens of the municipality, this standard is to apply to each and every residential district in the municipality. Stated differently, the existence of some residential districts where opportunities for all citizens are encouraged, does not permit the creation of other residential districts where opportunities are encouraged only for some, unless the town can show that a legitimate zoning purpose can be served. This ruling begins to focus on a sub-text of zoning ordinances as a potential form of economic discrimination. Without stating that economic discrimination in zoning ordinances is illegal, the court did say that such a "form of denial of access to certain residential districts is unequivocally not a purpose authorized by" C.G.S. 8-2. The implications of the decision are of great interest to towns, to builders, to all citizens of the state, and, of course, to the Commission.

(2) Yonkers, New York / Racial Discrimination

In United States v. Yonkers Board of Education, a decade-long court battle resulted in a decision by a U.S. Federal District court which called attention to the potentially close relationship between housing (local zoning regulations) and racial segregation. The initial suit filed in 1980 linked the city's schools and housing in a segregation case. In 1985, the U.S. Federal District judge ruled that the concentration of one type of housing in one section of town was the result of racial discrimination, and that, in fact, the town had systematically segregated its schools and housing for forty years. These are the same relationships which were suggested in a report which the Commission discussed in some detail, "A Report on Racial/Ethnic Equity and Desegregation in Connecticut's Public Schools," issued in January, 1988, by the Committee on Racial Equity, appointed by Connecticut's Commissioner of Education, Gerald N. Tirozzi. The Federal District court not only found sufficient proof of intentional racial segregation in the housing and school system, in violation of the Fair Housing Act (Title VIII of the 1968 Civil Rights Act), but also intervened subsequently in the settlement negotiations. Ultimately, in 1988, it was the court which selected the site for the town's future affordable housing development. The plaintiff's responsibility of not only proving racial discrimination, but also of proving that it was intentional (this is the standard for racial discrimination charges) was accomplished, despite its difficulty.

(3) Huntington, New York / Economic and Racial Discrimination

In Huntington Branch, NAACP v. Town of Huntington, the Second Circuit Court of Appeals (a Federal Appellate Court District made up of New York, Vermont, and Connecticut) held that the town's refusal to rezone to allow the development of housing for multifamily use could constitute a form of racial discrimination and be a violation of the Federal Fair Housing Act. The court found the town's justifications for the refusal to rezone unsatisfactory, finding instead that the town was forcing multifamily housing into selected zones within the town where such housing was permitted. This in turn had "disparate impact" on minorities who lived in those zones. The court held that such disparate impact on minorities was discriminatory, whether or not the town intended to be. The critical aspect of the court's decision was that it established the link between disparate economic impact and disparate racial impact. Before the court's ruling, anyone claiming racial discrimination had to prove that it was done intentionally, whereas "intent" was not required in proving economic discrimination. The Huntington decision concluded that disparate racial impact could be presumed from disparate economic impact. The decision was affirmed by the U.S. Supreme Court in November, 1988.

In each of the three cases cited above, separate courts of jurisdiction made similar findings: certain patterns of housing related land use regulatory decisions reflect (conscious or unconscious) patterns of economic and/or racial discrimination. These decisions demonstrate that the courts are prepared to place considerable legal significance on what were otherwise rather mundane technical concerns such as minimum floor area requirements for dwelling units.

While reflecting upon the legal and moral implications of the courts' decisions, it is also important to note at least one of the pragmatic consequences of the involvement of the judiciary: the court interjects itself prominently into the zoning/housing decision-making process. In the city of Yonkers, for example, it was the court and not the local land use regulatory commission (whether exclusionary or inclusionary in orientation) which made the decision about where to build the town's new affordable housing.

Faced with the option of inviting judicial intervention (with both legal and practical consequences) some local land use regulatory commissions may wish to re-examine their patterns of regulations. Unless state and local governments prefer having the judiciary making ad hoc land use decisions to correct perceived patterns of economic and racially discriminatory behavior, the state and the municipalities need to clarify and refine their land use regulatory systems to better encourage the development of housing for all members of the municipality, as

required by C.G.S. 8-2. Members of the Commission see the importance and the challenge of creating a more open, equitable and expeditious land use regulatory process, one that is responsive to community and regional needs without being unnecessarily intrusive in municipal affairs.

II. HOUSING NEEDS IN THE STATE

During the final months of 1987, the state's Office of Policy and Management (OPM) contracted with each of the state's fifteen regional planning agencies to conduct a Regional Housing Needs Assessment. These fifteen reports were completed by early January, 1988, although technical revisions continued for a few months. The numerical results of the assessments as summarized by OPM are provided below.

Table 1:
CONNECTICUT REGIONAL HOUSING NEEDS ASSESSMENT
SUMMARY BY REGION
TYPES AND QUANTITY OF NEEDED AFFORDABLE HOUSING

	Vacancy Deficiency in <u>Owner</u> <u>Units</u>	in <u>Rental</u> <u>Units</u>	Inadequate Units	Unaffordable Rental Units	Total Units
<u>Planning Region</u>	"A"	"B"	"C"	"D"	A+B+C
Capitol	2869	3110	29166	24210	35145
Central CT	918	1222	9265	6358	11405
Central Naugatuck	797	1140	12486	7312	14423
CT Estuary	275	600	1392	944	2267
Bridgeport	1344	1931	18888	13173	22163
Housatonic	729	598	6159	4862	7486
Litchfield	380	363	3170	2198	3913
Midstate	447	464	2990	1966	3901
Northeastern	316	349	2678	2096	3343
Northwestern	47	29	815	508	891
South Central	2201	3088	34954	27392	40243
Southeastern	0	265	11237	8148	11502
South Western	1329	1210	15642	12254	18181
Valley	329	329	3346	2441	4004
Windham	256	125	2287	2223	2668
State Total	12237	14823	154475	116085	181535

Source: Office of Policy and Management June, 1988

This table represents a clear summary and quantification of the need for affordable housing in the state, by region. The entire state is divided into 15 geographic regions, listed here by name in alphabetical order. The table identifies different types of housing needed in each region. The numbers in the column marked "A" represent the regional need for additional housing units required to alleviate vacancy deficiencies (if fewer than 5% of the units are vacant) in the owner-occupied housing market. The numbers in column "B" represent the regional need for additional housing units required to alleviate vacancy deficiencies (if fewer than 2.5% of the units are vacant) in the renter-occupied housing market. Vacancy deficiency is one of the standards used to measure demand in a housing market. Demand is considered excessively high if the vacancy rate is lower than 5% in the ownership market and/or if it is lower than 2.5% in the rental market. The typical consequence of excessive demand is that prices (sales or rental costs) are driven "artificially" high. It can be seen that demand is higher than the standard in 29 of the 30 possible opportunities in the matrix. Only in the Southeastern region, and only in the ownership housing market, is the demand not above "normal." The totals indicate that, state-wide, there is a vacancy deficiency of more than 27,000 units.

The numbers in column "C" represents the region's inadequate housing, a cumulation of those units (a) lacking complete plumbing for exclusive use, or (b) having 1.01 or more persons per room, or (c) renting (gross) for 30% or more of the household income, from which is subtracted (1) the regional total of government assisted rehabilitated housing units (1980-1986), and (2) the regional total of newly constructed government assisted units (1980-1986), and (3) the current regional total of low/moderate income rent supplements. The formula for developing this number is somewhat complex because of the need to utilize some data from the 1980 census and other more recent adjustments.

The numbers in column "D" reflect only those units in the region for which the gross rent is 30% or more of the household income. There are more than 116,000 households occupying rental housing in the state for which they pay more than 30% of their adjusted gross income in rent. By agreement, such units are called unaffordable.

The "Total" column, represents the sum of units identified either as type A, B, or C, but not D, because it is, effectively, a subset of C. "Total," therefore, means the total number of units which are inadequate, (which includes those which are unaffordable), plus those which would be needed to normalize the vacancy rates in the owner or rental markets. The totals in this column suggest the magnitude of the state's housing need by region.

The Housing Needs Assessments are useful because of their content and their form. The content, housing need quantified by region, helps to direct the analysis of the affordable housing crisis to geographic areas and demographic data which are representative of units larger than a given municipality. The content of the studies encourages regional thinking. Recognizing that housing is a regional resource (whether thriving or endangered), like water supply, or transportation or education systems is an important first step in understanding both the problem and potential solutions. Having a database that quantifies that vision is essential. The form of the study is also important in that the standards used are uniform and consistently applied by the contractors, under OPM direction. Uniformity provides the basis for regional comparisons. In the allocation of relatively scarce resources, it is critical that the state is able to make such regional comparisons, and to come to a better understanding of regional differences.

Using basic data from the assessments, it is possible, for example, (a) to calculate the "Total" need for housing in any region (the right-hand column in Table 1, above) as a percentage of the total number of housing units in that region, and (b) to arrange the outcome on a gradient ranging from the region with the greatest percentage of deficient units to the region with the lowest percentage of deficient units. This is done below in Table 2, below.

Table 2:

PERCENTAGE OF DEFICIENT HOUSING - COMPARISON BY REGION

Region	Total # of Units	# Units Deficient	% Units Deficient
Bridgeport	115,588	22,163	19.17
South Central	210,481	40,243	19.11
Central Naugatuck	99,318	14,423	14.52
South Western	131,030	18,181	13.87
Valley	30,305	4,004	13.21
Central CT	88,312	11,405	12.91
Capitol	272,460	35,145	12.89
Southeastern	91,035	11,502	12.63
Litchfield	31,120	3,913	12.57
Northeastern	27,290	3,343	12.24
Housatonic	71,104	7,486	10.52
Windham	25,590	2,668	10.42
Midstate	37,721	3,901	10.34
CT Estuary	22,142	2,267	10.23
Northwestern	10,671	891	8.34

This relatively simple exercise provides a basis for comparing the overall housing needs of one region with that of any other region in the state. Clearly, the Bridgeport region has a greater percentage of deficient units than has the Northwestern region of the state. Such comparative analysis could be of great use in planning not only land use strategies, but also in the allocation of state resources.

III. RECOMMENDATIONS OF THE COMMISSION

The recommendations of the Commission are the work of two subcommittees, one on land use issues, the other focused more broadly on finance and program concerns. A third subcommittee addressed the specific topic of housing production, but did not make enumerated recommendations for specific legislative actions. Many of the recommendations of the Commission, particularly those from the Finance and Program Subcommittee, pp. [B-1] through [B-20], address issues from a narrow and precise focus. There was not always a clearly defined and articulated theoretical framework for each issue considered. While it is critical to understand the recommendations in the context provided by the Subcommittee, it is also important to view them as part of a more comprehensive housing strategy for the state. This section attempts to provide that broader context. (The Commission has made 25 recommendations. The precise text of each recommendation and detailed background information are provided in the Subcommittee reports, found in Appendices A-C to this report. It is the language and text found in those Appendices that was officially endorsed by the Commission as its recommendation. The bracketed [] page numbers used to identify the recommendations in the narrative, below, refer to the page numbering system used in the Appendices.)

The state's comprehensive housing strategy should have at least the following four basic components: (A) to encourage and stimulate interested parties to produce a wide range of affordable housing types and options, (B) to preserve existing housing and affordability, (C) to prevent homelessness, and (D) to plan land use strategies comprehensively for the future. The Commission believes that its recommendations to the 1988 General Assembly, combined with the recommendations in this report, are essential components of a comprehensive housing strategy. The Commission feels that its recommendations should not only be integrated into the conceptual strategy for addressing Connecticut's affordable housing crisis, but that they should also be embraced by the legislative and executive branches of state government and, whether as legislation, state policy, or administrative procedure, should be implemented throughout the state.

III-A. Production and Finance

The state's housing strategy should encourage and stimulate the production of new and recycled housing to address market and non-market housing needs. The importance of this fundamental component of a state housing strategy, and the magnitude of the effort required, are underscored by recent data released on housing permits issued in the state in 1988. The number of housing construction permits issued in 1988 was less than 19,000, a decline of almost 30% from 1987. It also marks the first year since 1984 that the total number of permits issued was fewer than 20,000. A further decline is projected for 1989. This represents a formidable housing production and financing challenge.

There are a number of causes for the inadequate production of affordable housing in the state. The Commission has attempted to identify those impediments and to make specific recommendations to overcome them. The principal positive steps that could be taken to encourage and increase the production and financing of affordable housing are the following: (1) eliminating unnecessary regulatory delays and costs; (2) increasing the diversity and quality of developers; (3) reducing the cost of land and labor; and (4) increasing financial resources. Each of these steps is discussed briefly below in relation to the recommendations of the Commission.

(1) Eliminating Unnecessary Regulatory Delays and Costs

Delays and other uneconomic conditions created by some zoning and other regulatory processes can cost developers substantial sums of money, which are passed on to buyers as higher sales prices or to renters as higher rents. A state housing strategy should seek to eliminate all unnecessary delays to the production of affordable housing. To reduce the likelihood of unnecessarily costly delays in the development of affordable housing, the Commission recommends [A-2] that Inland Wetland Agencies be effectively required to act on an application within the same time period as is required of the local planning commission, and [A-4] that persons wishing to appeal a planning and zoning commission decision approving an affordable housing development must establish aggrievement in fact, regardless of their proximity to the proposed development. These are remedies to specific existing problems. The Commission also identified the need for an expeditious appeals procedure for affordable housing development applications which have not met with local approval. To expedite the appeals process in this area is important. Even more critical is the necessity of clarifying and expanding the basis upon which such appeals can be argued. The Commission recommends [A-6] that the state establish a procedure whereby decisions of local land use commissions

rejecting an application which would lead to the development of affordable housing can (a) be appealed in an expeditious manner, and (b) be judged as to whether the local commission properly considered the need for affordable housing in the community. Expanding the basis for an appeal gives would-be developers of affordable housing an opportunity to contrast specific zoning and low-density regulations or anti-growth practices, when encountered, with a community's need for affordable housing. An affordable housing appeals procedure is perceived by the Commission to have a potential for strongly encouraging the development of affordable housing.

Finally, regulatory controls add delays and costs to the development of mobile/manufactured and modular housing. Long considered a poor relative in the housing industry, mobile/manufactured and modular housing has been subject to a variety of regulatory constraints. However, improvements in the standards of quality within the industry, and the pressing need for lower-cost affordable housing throughout the state, increased the popularity of these units. In its 1988 report, the Commission recommended that the state require municipalities to treat manufactured housing the same as other forms of housing in both zoning and subdivision regulations. This recommendation became law. The Commission further recommends [B-11] that the state amend the statutes and regulations governing the transport of these housing units to extend the time parameters during which they can be moved and to allow specified length and width increases.

(2) Increasing Diversity and Improving Quality of Developers

One of the reasons that the supply of affordable housing lags behind the demand is that there are not sufficient developers interested in, or capable of addressing the demand. There are at least three types of potential developers: for-profit, non-profit, and public housing authorities, and their respective reasons for not being involved in housing production in sufficient numbers differ. A state housing strategy should acknowledge the advantages of having a diversity of types of developers with the interest and the capacity to develop affordable housing. The Commission's recommendations seek to address the profit orientation of the for-profit developers, to build the capacity of the non-profit developers, and to more strongly encourage and support public housing authorities to produce affordable housing.

(a) The for-profit developer or builder of housing is primarily profit-motivated. However, factors such as a soft resale market, high land cost and threatened higher interest rates have depressed the state's home building industry as the precipitous decline, in 1988, in housing permits indicates. A search for new markets could lead the homebuilders to the "affordable" housing market, but affordable housing generally tends to be

less profitable than more upscale housing. Affordable rental property, in particular, presents greater risks and is less profitable than it was before the federal tax reforms of the last few years. The production of affordable rental housing by profit-motivated developers probably requires direct financial stimulation in addition to encouragement from the marketplace.

Recommendation [B-17], requesting that the state confirm and expand its commitment to the PRIME program, addresses the need to stimulate the production of new mixed-income rental housing. The PRIME program, created in 1988 by the General Assembly, is a flexible financing program through which the state provides part of a development's capital financing (for which the state acquires an ownership interest) and effectively guarantees rental payments for some units over a period of years. Most importantly, the subsidies can be finely calibrated to make efficient use of the state's investments, and, at the same time, provide the for-profit developer with a reasonable and secure return on investment.

The PRIME program has been able to attract an enthusiastic response from for-profit developers. As of January 27, 1989, the Connecticut Housing Finance Authority, which along with the Department of Housing administers the PRIME program, reports that eight applications are in the approval process. These applications represent the potential development of 1,319 units of new mixed-income rental housing in the state. Of that number, 546 units are targeted for households with incomes ranging between 50% and 60% of the area median income. Between 400 and 500 of those units would require the rental assistance subsidies which are one of the financial incentives of the program. These numbers are very consistent with the two-year level of demand projected in the Commission's new recommendation: 2,500 units overall, with 900 for low-income households. The expansion of the PRIME program, as proposed in recommendation [B-17], would offer some hope that new mixed-income rental housing will again be built on a large scale in the state.

The Commission also recommends [B-6] the implementation of a single family new construction program targeted for families earning up to 80% of the area median income. The availability of support for both the construction financing and permanent financing of such housing could provide a sufficient comfort level to attract for-profit developers into this targeted housing production arena.

(b) Non-profit developers, on the other hand, are generally willing to develop housing without a guaranteed return on investment. Unfortunately, they are also generally undercapitalized. They are prepared to settle for less, but they have less to begin with. Often, they do not have enough capital to initiate a development project. The limitations on

their capacity to proceed with production are, thus, severe. Typically, such an organization needs general financial support for operations and specialized project-related financing, particularly for pre-development activities such as site acquisition or optioning, site engineering, architectural, legal, and accounting services. Programs to support both sets of needs currently exist and are funded by the state. However, the Commission recommends a higher funding level and an increase in the types of reimbursable pre-development costs. The Commission recommends [B-9] that the state fund its non-profit Administrative Costs Program at two million dollars annually and [B-10] that a portion of non-profit organizations' project-related administrative costs be reimbursable through the state's Pre-Development Costs Program.

(c) Finally, public housing authorities (PHA's) have capacities to develop housing which have only recently been recognized and encouraged. Public housing authorities have a significant track record of producing affordable housing in the state, most of it being housing for the elderly and moderate income families. The Commission recommends [B-8] that the state housing strategy expand its utilization of the expertise of PHA's as housing producers, as part of an over-all commitment to public housing.

In addition to focusing attention on the involvement of for-profits, non-profits and public housing authorities in the production of affordable housing, a state housing strategy should actively solicit, promote and support other public and private sector participation in housing production. In particular, the federal government, municipal governments and employers have potential roles which should be cultivated and incorporated into the state plan.

(d) The state should continue to pursue, through its legislative representatives and other special delegations, increased federal commitments to housing. The 1988 Commission report recommended that the state work with the federal government to develop a strategy to deal with potential prepayment of mortgages of certain federally subsidized housing projects -- the "expiring use problem" -- and work to prevent the sunset of mortgage revenue bonds and the Section 8 Existing Subsidies, then being planned by the federal government. These concerns are still pressing and efforts by the state should be continued. The new federal administration may provide opportunities to address these problems as well as the larger concern of diminished federal involvement in housing production programs.

(e) Municipalities can also play significant roles in producing affordable housing. In its initial report, the Commission recommended the development of the Connecticut Housing

Partnership program to help formalize a structure at the municipal level which would assess and address the housing needs of the community. This program was created by the Governor and the legislature in 1988 and is currently being actively developed by the Department of Housing. As of January, 1989, 20 Connecticut towns had submitted applications for Initial Designation, and an additional 21 towns had passed the necessary resolutions or ordinances to request such designation. A total of 70 towns had begun activities which indicated an active interest in the Partnership program. The Commission feels that the capacity and willingness of towns to play a meaningful role in stimulating the production of affordable housing would be enhanced by the implementation of its recommendations [A-11] for broad "inclusionary zoning" powers, which would clarify and affirm a municipality's authority and [A-15], an additional local mandatory conveyance tax, which would put additional financial resources at the municipality's command.

Municipalities are periodically faulted for embodying anti-growth attitudes into their local land use regulations. Municipalities respond that infrastructure costs associated with increased housing pose a severe problem for municipal budgets. The additional mandatory local conveyance tax would give towns more financial capacity to assist in the production of affordable housing.

(f) The housing crisis has potentially significant negative implications for many Connecticut corporations. Not only is recruitment of middle managers and other employees made more difficult and expensive (many personnel departments are experiencing unprecedented turndown rates) by escalating housing costs, but the associated problems: the costs related to employee commuting, traffic congestion and employee discontent threaten many state corporations with the loss of competitive advantage. Some firms have already determined to leave the state or to expand only in other states. A continued housing crisis and a continued out-migration of state corporations could jeopardize the state's prosperity.

The Commission believes that employers can play a vital role in the production of affordable housing, either specifically for a firm's employees, or for the broader community or region where the firm operates. Without elaborating on specific mechanisms, the Commission recommends [B-15] that state agencies work to encourage "employer-assisted housing" through a variety of means, and that developing and maintaining such relationships with employers become an on-going component of the state's housing strategy.

(3) Reducing Land and Labor Costs

The cost of land is the fastest rising expense item in housing development. In the last decade, increased demand for housing,

and increased requirements for lot sizes, coupled with well-intentioned but conflicting demands for land conservation, have made the land available for housing development relatively more scarce and considerably more expensive. Land costs currently represent more than 40% of the cost of developing a single family unit in the state; under normal circumstances, land costs would be only 10-15% of the development costs. The Commission believes that the state must take appropriate steps to control land costs. A number of initiatives have been recommended by the Commission. The state can inventory its own surplus land and buildings, and allow the Department of Housing the opportunity of determining the sites' value for housing development. This recommendation was made in the Commission's 1988 report. The state can create self-sustaining financial mechanisms, recommendations [A-15] and [B-12], which could be used, by the state or by municipalities, in part, to defray land costs for affordable housing. These recommendations are discussed immediately below, in Section III-A (4). The state could also encourage and support land use planning and education to ensure the most balanced, efficient and rational utilization of the scarce land resources. These recommendations are discussed below, in Section III-D. In addition to making these wide-ranging financing and planning recommendations to address the problem of land cost, the Commission recommends [A-14] that the state complete and utilize a study which would establish specific land areas that can be specified as minimum lot size that under normal conditions would protect public health, taking into account various soil types and water supply patterns.

Labor costs associated with the development of affordable housing have not risen nearly as fast as land cost. Still, the Commission sees the value in endorsing measures which would work to ensure that there is no precipitous increase in labor costs. The Commission, therefore, supports [B-19] the action taken by the Labor Commissioner in waiving the enforcement of a three-to-one ratio for journeymen-to-apprentice, and substituting a one-to-one ratio. The Commission recommends that a one-to-one ratio be maintained, but does not recommend new legislation.

(4) Increasing Financial Resources

Throughout this decade, Connecticut, as all of the other states, has been adjusting to the enormous task of solving housing problems with drastically reduced financial assistance from the federal government. In the past several years, Connecticut has responded to the challenge by significantly increasing the bonding authorizations to finance affordable housing production and rehabilitation programs in the state. The state currently authorizes bonding of \$100 million per year to support Department of Housing programs, up from \$45 million in fiscal year 1985-86. In addition, the Connecticut Housing Finance Authority provides more than \$150 million in mortgage financing

for first-time home buyers, annually. Clearly, this is a tremendous stimulus to the production of affordable housing. Nonetheless, supply lags far behind demand.

Moreover, the state is currently projecting a budget deficit of nearly \$900 million for fiscal year 1989-1990. Although this projected deficit was not a specific constraint on the deliberations of the Commission, members were clearly aware of its implications. Throughout its tenure, the Commission was interested in recommending realistic and cost-effective production, preservation, prevention and land use planning/education strategies, many of which represented non-financial approaches to the housing problem. However, the Commission also proposes two major mechanisms for increasing financing available for housing: a mandatory local conveyance tax and the Connecticut Housing Trust Fund.

Some opposition to the development of affordable housing is a result of some municipalities' concerns about the cost of infrastructure associated with that new housing. These are clearly legitimate concerns. To escape two equally non-productive options, either (a) forcing those costs onto the developer and thus to the end-user, or (b) forcing the townspeople to pay for the new infrastructure with increased property taxes, the Commission recommends [A-15] that the state institute an additional mandatory local conveyance tax at the rate of thirty-four hundredths of one percent (0.34%) on all real estate transactions which exceed a sales price of one-hundred thousand dollars (\$100,000). Revenues from this tax would be held by the municipality and used only for the purchase of land for the development of affordable housing or for infrastructure costs directly associated with the development of new affordable housing in the town.

In addition, the Commission recommends [B-12] that the state create a Connecticut Housing Trust Fund. The housing trust fund mechanism is being used throughout the country as a means of securing renewable and predictable revenues and interest, other than general fund appropriations and bond authorizations, to finance housing production and preservation, and to provide direct assistance to low- and moderate-income households.

In summary, the state has a responsibility to encourage and stimulate the production of affordable housing. Any comprehensive strategy for the state must address production/finance-related issues. Numerous Commission recommendations seek to strengthen the capacity of the state to meet this responsibility. The state must do all in its power to eliminate unnecessary regulatory costs and delays, to encourage a diversity of developer types (for-profit corporations, non-profits, public housing authorities, the federal government, municipal governments and employers) to produce affordable housing, to reduce the cost of land and labor in housing production, and to ensure the availability of financing to support all production efforts.

III-B. Preservation

As part of a comprehensive housing strategy, the state should work systematically and consistently to preserve existing affordable housing. This requires effort not only to preserve physical units from deterioration and abandonment but also to preserve the "affordability" of existing units. Preservation of units implies an appropriate mix of management, maintenance and rehabilitation for public housing as well as private sector rental or owner-occupied housing, whether subsidized or not. The Commission heard reports of efforts to improve tenant management in public housing, as well as efforts to develop non-profit management capacity as part of the preservation effort. Various municipal anti-warehousing and anti-bligh strategies were also reviewed. In its first report, the Commission recommended a two-fold strategy to preserve federally assisted and privately owned housing by (a) suggesting that the state work with the federal government and owners about to pre-pay mortgages on federally assisted projects and (b) that the state target the use of all appropriate Department of Housing funds to units in danger of being lost from the marketplace.

The Commission's current recommendations are considerably more specific in focus, but should be considered within the context of the broad-based preservation strategy recommended in the initial report. The Commission recommends [B-7] that the state should provide direct on-going subsidies, where needed, in addition to existing indirect subsidies already provided, to owners of housing built with the State Moderate Rental Housing Program to promote proper management and maintenance and to encourage occupancy by tenants with a range of incomes.

In addition to preserving affordable housing units, a comprehensive housing strategy should incorporate means to protect access to and the affordability of existing units. There are at least two areas where such a strategy can be effective: in the prevention of displacement, and in the power to regulate condominium conversions at the municipal level. The Commission recommends [B-14] that the state ensure that involuntary displacement in connection with state funded housing or community development is reduced to the minimum level consistent with achieving the objectives of the development. Such a commitment will reduce involuntary displacement and maintain continued access to affordable housing for some of those who have it.

Finally, in response to the high level of conversions of rental buildings and complexes into condominiums in 1987 and 1988, the Commission recommends [B-20] that the state adopt legislation requiring local planning commission approval for a condominium conversion. Such a measure would permit municipalities to have a voice in determining whether or not a proposed conversion is

beneficial to the community, particularly considering its likely impact on the town's rental market and the extensiveness of tenant displacement. Conversions do not add new affordable housing to the market, they merely change the form of ownership. This process can result in increased pressure on the rental market, because the supply of rental units in the market has been reduced. Typically, such a supply reduction results in higher rents. Condominium conversion of rental properties is not unlike other leveraged buy-outs currently in vogue on Wall Street. Like those transactions, the conversion results in a change of ownership, and sometimes in enormously increased debt on the property, without actually changing the value of the asset. The seller typically benefits. In the case of the condominium conversion, however, a number of harmful side-effects may occur. Though recognizing the inherent property rights at issue, the Commission (like the Securities and Exchange Commission) feels that some forms of control at the municipal level are appropriate.

III-C. Prevention of Homelessness

A comprehensive housing strategy should be able to respond to short- and long-term cycles of homelessness, without institutionalizing any one particular response mechanism. Under more normal circumstances, the prevention of homelessness and the care for the homeless are social service functions -- important, but an operation of only modest scale. In this decade, the numbers of the homeless have increased significantly. The demographics of the homeless population have changed, too, from primarily single adult males with drug or alcohol dependence problems, to a much wider spectrum including those males, as well as families, women, children, and the working poor. The nation and the state have struggled to develop appropriate short- and long-term solutions to a problem which caught many private and public agencies unprepared.

The Commission is aware that homelessness is a complex network of problems and that (a) prevention, (b) the provision of services, and (c) long-term shelter are considerably different issues with separate, if interrelated, strategies and resource needs. The Commission's recommendations focus principally on the first area, the prevention of homelessness. In that area, the Commission recommends [B-4] that the state's Rental Assistance Program receive increased appropriations. The larger appropriations should be used to re-establish the balance originally planned for the subsidy program: to provide relief to income eligible households currently paying more than 30% of their adjusted gross income on housing (and thereby prevent them from becoming homeless), as well as to provide an emergency assistance subsidy to families who are already homeless. In a closely related strategy, the Commission recommends [B-6] that the state adopt, as a policy, a commitment to provide housing assistance to all citizens whose incomes are less than 50% of the area median. Finally, the Commission recommends [B-5] that the state create a

pilot program to provide one-time loans to families or individuals likely to become homeless through eviction or foreclosure procedures, because of short-term financial difficulties. A similar program is operated in the state of New Jersey with considerable success in preventing homelessness. It appears to be an enormously cost-effective way of utilizing limited financial resources.

III-D. Land Use Planning and Education

The fourth important component of a comprehensive housing strategy for the state is land use planning and education. The significant increases in land and infrastructure costs for housing, conflicting strategies for the development and the conservation of land resources, the increasing complexity of the land use regulatory process, and far reaching court rulings which link land use regulations causally with economic discrimination and presumptively with racial discrimination have heightened awareness of the need for comprehensive land use planning and education.

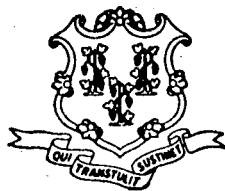
Despite the fact that land use planning is an increasingly complex and potentially controversial concern, 104 municipalities in the state currently function without a full-time planner, utilizing instead part-time professional planners or volunteer commissioners with widely varying knowledge and experience in the field. The Commission believes that town planners and individual regulatory commission members should be given the opportunity to broaden and update their knowledge regularly. The Commission recommends [A-13] that the Department of Housing develop and provide on-going technical assistance to towns and local land use commissions in the development and implementation of innovative zoning and land use techniques, such as the special permit process which could facilitate the development of affordable housing. The Commission further recommends [A-10] that the state establish the Land Use Education Council as a permanent body to coordinate land use education in the state, and that the state create and fund an office of Land Use Education to coordinate the activities of the Council. The Commission believes that land use planning can be utilized most efficiently in support of affordable housing objectives only when land use education is intelligently packaged and made available to all towns and land use commissioners.

Finally, the Commission recommends [B-13] that a task force be appointed to determine the feasibility of developing various surplus, abandoned, and underutilized railroad spurs for mixed-use purposes, including mixed-income housing. These railroad spurs represent an exciting opportunity, not only for land use planning but also for significant regional cooperation in addressing resource development. A similarly complex development-related issue is the focus of the another Commission recommendation [B-16]: that a task force be appointed to

determine the feasibility of a system of site-value taxation. This taxation system is employed in the Pittsburgh, Pennsylvania, area, and apparently achieves desired land use objectives.

After nearly eighteen months of work, the Commission has developed over fifty recommendations. Although these recommendations cover a wide variety of issues, they also focus around four principal components of a comprehensive housing strategy for the state: the production and financing of affordable housing, the preservation of existing housing and its affordability, the prevention of homelessness, and appropriate land use planning and education.

APPENDICES



Blue Ribbon Commission
On Housing
State Capitol — Room 509
Hartford, Connecticut 06106

Co-Chairmen
Commissioner John F. Papandrea
Arthur T. Anderson

Executive Director
William J. McDonough
203-240-8878

Arthur T. Anderson, Co-Chairman
The Honorable John F. Papandrea, Co-Chairman
Blue Ribbon Commission on Housing
Hartford, Connecticut 06106

January 6, 1989

Dear Chairmen Anderson and Papandrea:


The Land Use Subcommittee of the Blue Ribbon Commission on Housing is pleased to submit to the Commission its recommendations for review and approval. These recommendations represent the work of the Subcommittee since March of this year and are, we believe, the logical extension and culmination of our efforts as a Subcommittee working together for nearly a year and a half to address the state's crisis of affordable housing. Our eight recommendations are grouped into four categories to reflect the problems the Subcommittee sought to address.

- I. Delays in Housing Development Approvals
 - Recommendation #1: Inland Wetlands Agencies (page A-2)
 - Recommendation #2: Abutters' Appeals (page A-4)
- II. Inadequate Reviewing Criteria
 - Recommendation #3: Affordable Housing Appeals Procedure (page A-6)
- III. Educational Efforts
 - Recommendation #4: Land Use Education Council (page A-10)
 - Recommendation #5: Inclusionary Zoning (page A-11)
 - Recommendation #6: Special Permit (page A-13)
 - Recommendation #7: Minimum Lot Size (page A-14)
- IV. Paying for Infrastructure and Impact Costs
 - Recommendation #8: Conveyance Tax (page A-15)

We strongly recommend the adoption of each of the Subcommittee's recommendations by the entire Commission.

Respectfully submitted,


Terry Tondro
Co-chair


Anita Baxter
Co-chair

RECOMMENDATION #1: INLAND WETLANDS AND WATERCOURSES

Statutes governing decisions of Inland Wetlands and Watercourses Agencies should be revised to provide for an effective time limit for decisions on requests for inland wetlands and watercourses permits, by providing that applications not acted on within the time period currently specified in the statutes be deemed approved by the agency.

Background:

This recommendation is designed to expedite the land review process in an effort to reduce the cost of producing housing. The land use approval process in Connecticut, as elsewhere, is extremely fragmented, with many different boards and commissions at the local, regional, state and federal levels having a right to participate depending on the decision being made. Awareness of this problem is not new; nearly a decade ago, the Connecticut legislature sponsored a conference on the then-new and exciting concept of "one-stop shopping," whereby a land use application would have to be made only to one agency for approval. Some progress has been made since then, but more steps can be taken.

For subdivision developments, local review in most towns is usually two-headed -- the planning commission reviews the proposal for overall development problems, and the inland wetlands agency reviews the project's implications for inland wetlands on the site. Legally, each body has the power to reject the project regardless of what the other agency does. In 1987, the legislature required as a practical matter that an application must be reviewed simultaneously by the planning commission and the wetlands agency, thereby taking an important step in reducing regulatory delays.

However, the legislature also required planning commissions to wait for the decision of the wetlands agency before approving a subdivision. But in doing so, the legislature neglected to effectively require the wetlands agency to act within a limited time. This results from the fact that prior judicial interpretations in other statutes of the form in which the time limit is established, have concluded that the time limits are advisory rather than mandatory. The only time limits the courts have enforced are those where the statute provides that an application is "deemed to be approved" if not acted on within the stated period, or those in which the applicant must consent to an extension of the stated period. Neither of these provisions currently applies to inland wetlands agency decisions on permit applications. As a result, the previously effective time limitation on planning commission decisions will not apply if the wetlands agency acts after the commission's time is up, because the commission cannot act until the agency acts.

RECOMMENDATION #1: INLAND WETLANDS AND WATERCOURSES, cont'd.

The Subcommittee is concerned that this can cause unnecessary delays in processing land use applications, and will counteract the benefit gained by requiring the commission and the agency to proceed simultaneously. We therefore are recommending that the wetlands agency be effectively required to act within the same time period as the planning commission is required to act. The stated time limitations are the same for both commission and agency, but the remedy for a late acting commission is automatic approval of the application. The remedy for a late acting agency is requesting a court order directing the agency to act. But since the court will not order the agency to make a particular decision, the applicant must start the approval process all over again. The Subcommittee's recommendation would make the automatic approval sanction applicable to tardy wetlands agencies as well as to tardy planning commissions.

RECOMMENDATION #2: ABUTTERS' APPEALS

Connecticut General Statutes Sections 8-8(a), 8-28(a), and 22a-43(a) (as amended by PA 87-338) should be amended to provide that persons wishing to appeal a planning and zoning commission decision approving an Affordable Housing Development must establish aggrievement in fact, regardless of their proximity to the proposed development. An Affordable Housing Development is one in which at least 20% of the units are set aside for at least a 40 year period for persons or families whose income is no more than 80% of the median income for the area in which the municipality is located, and which are made available to such persons or families so that their annual housing and utilities costs are no more than 30% of their annual income.

Background:

This recommendation is designed to reduce potential delays in reviewing applications through the abolition of statutory aggrievement in cases involving housing developments which include at least 20% of the units set-aside for not less than 40 years for low-income persons (incorporating the statutory definition from C.G.S. Section 8-23, as amended by PA 88-13).

In order to appeal a planning, zoning, or wetlands agency decision approving a development proposal, potential plaintiffs would be required to first establish that they are aggrieved, or injured, by the approval. Not everyone can demonstrate that they are injured by a particular application; this restriction on access to the courts is intended to limit the people who are able to bring an appeal (and delay a project) to those who are truly affected.

Statutory aggrievement is a device for assuring that persons owning land within 100 feet of the property that is the subject of the application have a legal right to appeal a decision by a planning and zoning commission or a wetlands agency. In effect, these owners are presumed to be injured by the proposal simply because their property is so close to it. Our Subcommittee felt that the need to build lower cost housing was so important that persons objecting to the construction of such housing had an obligation, before being able to delay construction for the duration of a judicial review of the commission decision, to establish actual injury regardless of how close their property is to the proposed site. If injury can be established, of course, they or anyone else have the right to appeal a commission decision to the court to obtain appropriate relief.

RECOMMENDATION #2: ABUTTERS' APPEALS, cont'd.

The Judicial Department has reported that last year, 667 appeals were taken from planning and zoning commission decisions to the Superior Court. The median "age" of these appeals from the time suit was filed until the Superior Court rendered its decision was 314 days (nearly 10 months); the average "age" was 450, or 15 months. Such delays in building affordable housing should not be tolerated unless the objectors are clearly injured by the proposal.

SAMPLE DATA ON DISPOSITION OF ZONING CASES IN CONNECTICUT COURTS

1. Superior Court

Zoning cases disposed of in FY 1987-88 from return date to disposition by Superior Court

	# Cases	# Mean Days	# Median Days
Ansonia-Milford	36	349.7	384.5
Danbury	28	452.6	514.0
Fairfield	91	630.6	416.0
Hartford	52	640.4	238.5
Litchfield	26	268.9	240.0
Meriden	10	335.6	390.0
Middlesex	56	403.4	292.0
New Britain	26	335.6	326.0
New Haven	77	188.1	162.0
New London	84	373.8	269.5
Stamford	98	637.1	484.0
Tolland	36	411.8	283.0
Waterbury	29	469.5	470.0
Windham	18	491.6	420.0
Statewide	667	454.6	314.0

State Total New Zoning Cases:	683
Cases Disposed of:	699
Pending at end of year:	657

2. Appellate Court

In the Appellate Court the average length of time consumed from the filing of an appeal to the official notice to party was over 500 days. During 1987-88 there were 19 opinions rendered. (The number of appeals filed was almost certainly larger.) No formal records are kept for zoning appeals at this level.

RECOMMENDATION #3: AFFORDABLE HOUSING APPEALS PROCEDURE

The state should establish a procedure whereby decisions of local land use commissions rejecting an application which would lead to the development of affordable housing can (1) be appealed in an expeditious manner, and (2) be judged as to whether the local commission properly considered the need for affordable housing in the community. In these cases, the burden of proof would be put on the local land use commission to justify their adverse decision.

(a) Any for-profit or non-profit developer whose proposed housing development is assisted by federal, state, or local subsidies, or in whose project at least 20% of the units are restricted for at least 40 years for use as affordable housing as defined by PA 88-13 (a "qualifying application") may use the Affordable Housing Appeals Procedure except where the proposed development would be in a municipality in which at least 10% of the non-elderly units in the municipality are either publically assisted rental units or CHFA financed units. The Department of Housing shall publish each year a list of municipalities which meet this standard, which shall be treated as binding unless either party successfully rebuts the determination under the UAPA.

(b) A developer whose qualifying application is rejected or approved subject to burdensome conditions by a local zoning commission, planning commission, or inland wetlands agency may use the Affordable Housing Appeals Procedure to appeal that adverse decision.

(c) An appeal of an adverse decision on a qualifying application will be heard by one of the judges designated by the Judicial Department to hear all such appeals. To ensure consistency and continuity of decisions, the Judicial Department shall designate three Superior Court judges, one of whom shall have the responsibility for hearing each such affordable housing appeal. The three judges shall be designated for an 18 month period.

(d) Appeals of the decisions made by the Affordable Housing Appeals Judge shall be by certiorari, as under existing law.

(e) The Affordable Housing Appeals Judge may be given a broader scope of review than is available under the arbitrary and capricious standard, but without requiring a trial de novo.

RECOMMENDATION #3: AFFORDABLE HOUSING APPEALS PROCEDURE, cont'd.

(f) The Affordable Housing Appeals Judge shall reverse the decision of the local commission or eliminate some or all of the conditions imposed, unless the evidence in the record establishes that the reasons given by the commission for its adverse decision were (1) bona fide and legitimate; (2) that they directly and substantially protect public health and safety concerns that are significantly more important than the need for affordable housing in the community that would be satisfied by the proposal; and (3) that deficiencies cited by the commission cannot be corrected by reasonable changes in the proposal. If the commission fails to give reasons for its adverse decision, the Judge shall also reverse the commission's decision or eliminate some or all of the conditions imposed.

(g) The need for affordable housing in the community shall be determined by reference to housing needs in the region as established by the Regional Planning Agencies in 1987 under the authority of PA 87-550, or such other method as established by the Office of Policy and Management.

(h) Consideration should be given to providing a land use housing specialist as staff to the three justices. Resident staff expertise would assist in the negotiation of pre-judgement remedies of disputes.

While wishing to intrude as little as possible on sound local planning decisions and on legitimate community efforts to ensure proper land use patterns, the Subcommittee nonetheless believes that too often the equally important concern of providing an adequate supply of housing at affordable prices has been ignored in the decisions of some local land use commissions.

Section 8-2 of the Connecticut General Statutes requires that zoning commissions "encourage" the development of housing for all members of the municipality, and the Connecticut Supreme Court has held that this is in fact obligatory. Builders Service Corp. v. Planning and Zoning Commission of East Hampton, 208 Conn. 267 (1988). The Subcommittee feels this requirement has not brought about a full consideration by planning and zoning commissions or wetlands agencies of Connecticut's need for affordable housing. The focus is too geographically limited to the municipality, and too often housing needs are not given the same weight as are the other more generalized concerns a planning and zoning commission or wetlands agency is charged with protecting. The Subcommittee is as concerned as the municipalities are about the importance of their ability to ensure that the development and use of land within the municipality is consistent with good land planning principles. However, it appears that many times the local commissions' decisions elevate vaguely-stated and relatively unimportant concerns over the important need to build affordable housing.

RECOMMENDATION #3: AFFORDABLE HOUSING APPEALS PROCEDURE, cont'd.

As a means of strengthening the importance of the need for affordable housing when evaluating development proposals, the Subcommittee is recommending the creation of an Affordable Housing Appeals Procedure that will specifically review whether a local commission has given sufficient weight to affordable housing needs when evaluating development proposals. The Affordable Housing Appeals Procedure could be used in specific circumstances by housing developers whose proposals are rejected by planning and zoning commissions and wetlands agencies, or whose proposals, even though approved, are so burdened with conditions as to make construction uneconomic. The Subcommittee's proposal includes provisions to ensure that the Affordable Housing Appeals Procedure can only be used to reconsider development proposals for affordable housing, and only in communities that have insufficient affordable housing.

Section (a) limits persons who can take an Affordable Housing Appeal to those developers whose proposals are assisted by government subsidies, or in which 20% of the units are restricted for 40 years for use as affordable housing as defined in the Connecticut General Statutes.

Section (a) also exempts municipalities in which more than 10% of the community's non-elderly housing units are publicly assisted rental units, or are CHFA financed units, from being subject to an Affordable Housing Appeal.

An Affordable Housing Appeal will be filed in the Superior Court and will be processed as any other administrative appeal, with one exception. Because of the sensitivity with which the court will have to weigh local development decisions, the Subcommittee feels it important that the judges hearing Affordable Housing Appeals be limited in number and designated for a relatively lengthy period to allow them to develop an expertise in evaluating housing as well as planning and environmental needs. The Subcommittee is therefore proposing that a group of three currently sitting Superior Court judges be designated by the Judicial Department to hear all Affordable Housing Appeals in an 18 month period, in order to develop expertise as well as to ensure consistent interpretation. The designation may be renewed after the initial period, or other judges designated, at the discretion of the Judicial Department. The designated judges would, of course, continue to handle other assignments in between the time necessary to decide Affordable Housing Appeals.

RECOMMENDATION #3: AFFORDABLE HOUSING APPEALS PROCEDURE, cont'd.

Section (f) specifically recognizes that even in communities with great affordable housing needs, a particular proposal to build such housing could nonetheless be inappropriate because some of the other factors that planning and zoning commissions and wetlands agencies are supposed to consider are in fact so important at the particular site that these concerns must be given precedence over housing need. In such cases, a municipality's rejection of a proposal will be upheld.

The Affordable Housing Appeals Procedure will not involve a new trial with presentation of additional evidence except on the question of whether the developer is entitled to bring an Affordable Housing Appeal, or for the limited purposes presently specified in C.G.S. Section 8-8(e). This limitation is necessary in order to minimize the delay inherent in an appeals process. (See the Subcommittee's concerns about delays in the Background information for Recommendations #1 and #2, as well as materials in the Appendix to this report.) However, the reasons given by a commission or agency for its adverse decision will have to be persuasively supported in the record to support the reasons it gives for its decision. Because of the importance of developing affordable housing, the normally applicable presumption of regularity that applies to municipal enactments would not apply in Affordable Housing Appeals.

The Subcommittee is sensitive to the strongly expressed concern of municipalities that they might lose control over the pace and direction of land development in their communities. Nonetheless, and despite lengthy discussions, the Subcommittee was unable to develop any other proposal that would ensure sufficient consideration is given to the affordable housing needs of those not already adequately housed in the municipality. We strongly felt, and it cannot be said often enough, that if municipalities do not give greater weight to the need for creation of affordable housing when evaluating development proposals, we will have business as usual: the housing crisis will not go away.

RECOMMENDATION #4: LAND USE EDUCATION COUNCIL

The state should establish the Land Use Education Council as a permanent body with on-going responsibility for coordination of land use education in the state and for developing and delivering a multi-year education plan, and create and fund an office of Land Use Education to coordinate the land use education activities of the Council.

Background:

The Land Use Subcommittee is aware that statutes, ordinances, and regulations relating to land use control are numerous, complex, frequently altered and have significant impact on the development of affordable housing throughout the state. The Subcommittee is also aware that the majority of the state's towns do not have full-time planners or other staff to advise various planning, zoning, inland wetlands, and other regulatory bodies which are made up principally of residents on a voluntary basis. Finally, the Subcommittee is aware of the substantial work of the Land Use Education Council (created by Special Act 87-92) in developing a curriculum and an organizational structure for the delivery of that curriculum to local land use officials. The Subcommittee's recommendation is essentially the same as that endorsed by the Land Use Education Council's report.

RECOMMENDATION #5: INCLUSIONARY ZONING

The state should adopt legislation establishing in general terms that municipalities have the power to adopt zoning and subdivision regulations requiring the development of housing affordable by persons of low and moderate income through the use of "inclusionary zoning" techniques, including but not limited to requirements that a reasonable number or percentage of units (not exceeding 20% of the units in the proposed development, unless there is mutual agreement between the developer and the municipality) be set aside for low- or moderate-income households; provisions for density bonuses (which should be encouraged to provide affordable housing units); imposition of resale restrictions; and requirements of payments of not-more-than the equivalent value into a housing trust fund in lieu of compliance with such provisions.

Background:

In 1988, the legislature adopted legislation at the suggestion of the Blue Ribbon Commission on Housing that clarified the power of municipalities to use "inclusionary zoning" techniques to help develop affordable housing. The legislation that was adopted recognizes only one form of inclusionary zoning, however. Municipalities throughout the United States are still experimenting with numerous inclusionary zoning techniques, with varying results depending on the circumstances.

Most writers on affordable housing praise the potential of inclusionary zoning for dealing with the high costs of housing development, and the Subcommittee feels that Connecticut municipalities should not be precluded from using the technique in whatever form will work best to create additional affordable housing in their communities. We urge the legislature to adopt a generalized statement affirming municipalities' authority to use this technique.

The authorization should include three specific provisions for it to be effective. First, municipalities' authority to require an applicant to participate in inclusionary zoning techniques must be clarified and affirmed. Second, the legislation should provide a maximum percentage of units that the planning and zoning commission can require be set aside. The percentage usually used by students of inclusionary zoning and by state and local governments that have adopted inclusionary zoning procedures is 20% of the units in the development. The Subcommittee recommends that the percentage required by a municipality not exceed 20% of the units in the

RECOMMENDATION #5: INCLUSIONARY ZONING, cont'd.

development unless there is mutual agreement between the developer and the municipality. Third, municipalities should be encouraged to use bonuses to stimulate the development of affordable housing.

RECOMMENDATION #6: SPECIAL PERMITS

The Department of Housing, in cooperation with the Land Use Education Council, should develop and provide a technical assistance package to guide municipalities and local land use commissions in the development and implementation of innovative zoning and land use techniques which could facilitate the development of affordable housing. This technical assistance package should be made available to all 169 towns in the state.

The package should include but not be limited to information regarding special permits, density bonuses, affordable housing set-asides, and one-stop zoning approval processes.

Background:

The Subcommittee has reviewed the variety of innovative and potentially useful zoning strategies which, if they were better understood, might be utilized by municipalities and local land use commissions to encourage and support the development of affordable housing. The Subcommittee is aware that some of these techniques are not utilized because of the limited staff resources (both planning and legal) at the local level.

One such technique that municipalities could use to assist the development of more affordable housing is the special permit. This technique is clearly authorized by the Connecticut statutes, but the Subcommittee understands that many municipalities are unclear as to how to use the special permit for this purpose. The same is apparently true for the use of density bonuses, set-asides for affordable housing, and simplified development approval processes. We feel this gap could be easily filled by the preparation of model regulations and procedures for municipalities to consider adopting, and urge the Department of Housing, working in conjunction with the Land Use Education Council, to do so as soon as possible.

RECOMMENDATION #7: MINIMUM LOT SIZE

Minimum lot sizes established by local land regulatory agencies should be directly related to local health and safety concerns. Further, the state should utilize the findings of a report currently being conducted jointly by the Departments of Environmental Protection, Health Services, and Housing, to establish specific maximum land areas that can be specified as a minimum lot size that under normal conditions will protect public health, taking into account various soil types and water supply patterns.

Background:

The major factor in increased housing costs is the escalating price of land, most people agree. Recently, a shift has occurred, so that the minimum lot size for residential development is now generally larger than it was in the past. This change not only increases housing costs because more land is necessary to support one house, but costs are also increased because more land is taken off the market as each house is built. Another increasingly common phenomenon is the requirement that land mapped as wetlands not be included in the calculation of the minimum lot size. Some towns have begun open space acquisition programs, further reducing the supply of land and adding to its costs.

The Subcommittee's report last year asked that the state undertake a study to determine the minimum lot size necessary to safely support a septic system and on-site water supply under an assumed set of soil conditions. Our expectation was that this basic figure might then be used as a yardstick with which to evaluate the appropriateness of a minimum lot size for a particular site. Individualized soil and rock conditions could then be taken into account for each site. Although a request was made to the Department of Environmental Protection by the Speaker of the House in June, 1988, the report is not yet available. The Subcommittee hopes that the Departments of Environmental Protection, Health Services, and Housing, as well as the General Assembly, will consider appropriate responses to the results of the report when it is completed.

RECOMMENDATION #8: CONVEYANCE TAX

The state should institute an additional mandatory local conveyance tax at the rate of 0.34% (0.0034) on all real estate transactions which exceed a sales price of \$100,000, for contracts entered into after October 1, 1989. (Real estate transactions at or below the base amount are not subject to any additional conveyance tax.) Real estate transactions which exceed the sales price of \$100,000 shall have the additional tax applied to the full amount of the transaction. (Effectively \$340.00 additional conveyance tax for every \$100,000 in sales price.) Such revenues are to be retained by the town in which they are raised, for use by that town, exclusively for the development of affordable housing or for infrastructure costs directly associated with the development of new affordable housing in the town. In order to utilize the additional revenues raised, a town must be a participant in the Connecticut Housing Partnership, and use such money on a CHP project. These requirements, however, would not apply to the expenditure of the currently authorized local conveyance tax of 0.11% (0.0011).

Towns may defer the expenditure of revenues raised for a period of up to three years after the close of the fiscal year in which the revenues were raised. Any revenues raised through the conveyance tax and held by a town for a period greater than that specified above, shall be turned over to the State of Connecticut's Department of Housing (DOH) and used by the Department at the discretion of the Commissioner to support the development of affordable housing and associated infrastructure in other towns which are members of the Connecticut Housing Partnership.

DOH shall establish regulations regarding the disposition of land purchased with the additional conveyance tax, in the event that a town uses its funds to purchase land to be used for affordable housing but experiences unusual delay in the development of that housing.

Funds raised by the additional local conveyance tax are to be in addition to, and not in replacement of, the state's existing financial commitment of General Fund allocations and bond authorizations for the support of housing programs.

RECOMMENDATION #8: CONVEYANCE TAX, cont'd.

Background:

Increased land costs are partly a result of efforts by municipalities to make developers (and hence their purchasers) pay for some of the costs resulting from the development (new schools, recreation facilities, road widening and new signalization, larger fire and police staffs, etc.). Someone has to pay these "impact" costs; if not the developer and the new buyers, it will be the rest of the townspeople through increased property taxes. Rightly or wrongly, the townspeople understandably resist doing so. There are strong suspicions that sometimes a municipality's inability to force the developer to pay enough of these costs leads to an unwavering opposition to any new development proposal.

The Subcommittee considered three ideas used in various other states to deal with this problem. Actually, there are two problems here, and it was our realization of this that led us to the recommendation of a conveyance tax.

One idea considered was that the state specifically authorize municipalities to limit growth, if they in turn ensured that some minimum percentage of that growth would be in the form of affordable housing. This growth management strategy presumably would make planning and zoning commissions look more favorably on development proposals that were within the stated limits, because the commissioners would know that when the limit was reached, they would not be forced to consider more applications. Impact costs could be predicted and controlled.

A second idea considered was to specifically allow municipalities to impose impact fees on developers, in the expectation that proposals would be more readily approved if the planning and zoning commission knew that the townspeople would not be saddling themselves with the new taxes that would result if the town itself paid for the facilities.

Both these ideas failed to gain support in the Subcommittee. While the first might have resulted in more affordable housing being built, the amount would be limited. The impact fee idea would simply institutionalize higher housing costs for new housing without ensuring that any more affordable housing would be created. Both the growth management and impact fee ideas focused on the second problem identified -- the need to make it easier for planning and zoning commissioners to approve a project -- but without dealing with the first problem: how to create more affordable housing.

The conveyance tax was the third idea suggested, and the Subcommittee has adopted it because it has the benefit of dealing with both problems. The revenues generated can only be spent to facilitate the

RECOMMENDATION #8: CONVEYANCE TAX, cont'd.

construction of affordable housing. The preferable, and most direct means of doing so, would be to use the funds to buy land that could be donated or sold at below-market rates to developers who would guarantee that the development would include a certain percentage of affordable housing. The money could also be used to make "impact" improvements associated with new affordable housing, so that the cost of those improvements would not deter the planning and zoning commission from approving a project. In authorizing expenditures for this purpose (to overcome reluctance to approve new growth), the legislation will have to be carefully worded and the expenditures closely monitored to ensure that the result will in fact be more affordable housing. Developers have expressed legitimate concern that if not limited to the purchase and write-down of land acquisition costs, the Affordable Housing Conveyance Tax Fund would end up being used as general municipal revenues -- a concern heightened in this year of predicted reduced fiscal aid for municipalities.

To provide municipalities with the maximum flexibility to find their own means for creating affordable housing in their town, the Subcommittee's proposal specifies that the conveyance tax would be raised by the municipality in which the transaction took place and would be spent there -- but only on affordable housing developments. The money could only be spent in the municipality if it were a participant in the Connecticut Housing Partnership Program, and the new housing conveyance tax revenues could only be spent to further a partnership development. If the municipality could not spend the revenues from this housing conveyance tax within these guidelines within three years, the Department of Housing would have the power to allocate the unused funds to municipalities that were Partnership participants and which could spend the funds to assist eligible projects.

At the same time, the cost of affordable-level housing need not go up because transactions below a threshold level would be exempt. The Subcommittee suggests that transactions of \$100,000 or less not be subject to this affordable housing conveyance tax. (The existing municipal conveyance tax would not be affected by the Subcommittee's proposal). Although the cost of housing above the "affordable" level would increase, the amount would be small -- \$340.00 on a \$100,001 house.

The conveyance tax would have the effect of levying part of the cost of increasing affordable housing in Connecticut on people buying homes at a price above the \$100,000 exemption, and on commercial and other interests which acquire space. It has been argued that this unfairly casts a major share of the cost of dealing with the affordable housing problem on these groups. However, the Blue Ribbon

RECOMMENDATION #8: CONVEYANCE TAX, cont'd.

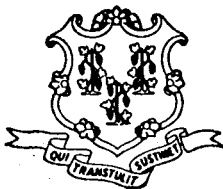
Commission on Housing was established in significant part because the business community in Connecticut was becoming alarmed at the negative impact high housing costs were having on its ability to attract new employees to the state, and on Connecticut's continued economic health. No tax levy is going to be completely fair, but the connection between the impact of the proposed conveyance tax and the ultimate beneficiaries of additional affordable housing seems sufficiently close to justify its imposition for this purpose.

Finally, the Subcommittee members do recognize that the imposition of an additional tax for so specialized a purpose will not be popular. But if the affordable housing problem is going to be dealt with, subsidies must come from someplace. Simplifying reviews, increasing the sophistication of the reviewing commissions, clarifying the broad power of municipalities to take measures to increase affordable housing, ensuring that housing needs are adequately considered when reviewing housing proposals -- these measures would reduce the cost of producing housing, but the disparity between cost and ability to pay is enormous. The longer we delude ourselves into thinking money doesn't help, the more difficult and extensive the problem will become. We have tried our best to find more acceptable solutions, and we have proposed implementing legislation in those instances where we felt the result would be helpful. But, we must move on the subsidy front at the same time if we are serious about dealing with the affordable housing problem.

The Subcommittee is aware that a local conveyance tax (0.11%) and a state conveyance tax (0.45%) are already in place for all real estate transactions. The Subcommittee's proposed real estate conveyance tax would be in addition to those existing taxes.

Additional Local Conveyance Tax - Examples

	<u>Unit 1</u>	<u>Unit 2</u>	<u>Unit 3</u>
<u>Sales Price</u>	100,000	200,000	1,000,000
Current State Conveyance Tax - 0.0045 (.45%)	450	900	4,500
Current Local Conveyance Tax - 0.0011 (.11%)	110	220	1,100
Additional Local Conveyance Tax - 0.0034 (.34%)	none	680	3,400



Blue Ribbon Commission
On Housing
State Capitol — Room 509
Hartford, Connecticut 06106

Co-Chairmen
Commissioner John F. Papandrea
Arthur T. Anderson

Executive Director
William J. McDonough
203-240-8878

December 8, 1988

Arthur T. Anderson
The Honorable John F. Papandrea
Co-Chairmen
Blue Ribbon Commission on Housing
State Capitol
Hartford, Connecticut 06106

RE: Finance and Programs Subcommittee Recommendations

Dear Chairmen Anderson and Papandrea:

The Finance and Programs Subcommittee is pleased to submit its final report for its second year of operation to the Commission. Last year the Subcommittee addressed the need to spur multifamily, mixed income rental construction and rehabilitation. To meet this need, the innovative PRIME program was designed, recommended to and supported by the Commission, and enacted by the General Assembly.

This year, the Subcommittee has agreed to submit eighteen (18) recommendations for Commission support. In presenting these recommendations, the Subcommittee acknowledges the need to adopt diverse yet balanced solutions to our state's housing crisis. For example, while production of new affordable housing must be encouraged, support for the preservation of existing units for low- and moderate-income households is equally vital. A rationale for focusing on preservation of existing low and moderate income housing stock, through controls on displacement and condominium conversion, can readily be found in a review of data collected by the State's Central Housing Committee. In the compilation of fifteen regional Housing Needs Assessments, the CHC concluded that there were over 154,475 "inadequate" units of housing in the state of which 75 percent were deemed inadequate because their occupants were forced to

spend more than 30 percent of family income for rent. Clearly, while efforts should be made to make this housing more affordable, it is equally critical to ensure that these existing units are preserved.

Similarly, diversity and balance should be encouraged by programs and policies which support various types of developers of affordable housing: (a) for-profit, (b) non-profit, and (c) public housing authorities. In deliberating on the various types of housing producers, the Subcommittee recognized that the negative stereotypical image of public housing was inaccurate and had to be overcome. Many public housing developments are well managed and provide a significant proportion of Connecticut's citizens the only housing available to them. We also believe that public housing providers have adapted their approaches toward construction of housing away from the high density, high rise projects. Thus each type of potential developer brings unique development and management capabilities to the housing arena and the capacity of each to produce housing should be supported. The Subcommittee has made numerous recommendations to stimulate activity from various producers and to strengthen the capacities of each.

The Subcommittee also explored the state's growing problem of homelessness. Without diminishing the importance of the immediate shelter and support needs of those who are already homeless, the Subcommittee's recommendations focus principally on strategies that could prevent additional households from becoming homeless by providing financial supports, either rental assistance subsidies, grants, or loans. The Subcommittee believes that preventive strategies are the essential component of a solution to the homelessness crisis.

In the course of our deliberations, we examined briefly two proposals for increasing the supply of affordable housing which require more intensive study than we had the time or resources to give them. The first item is the mixed use development of state-owned railroad rights-of-way; the second involves a possible shift from an ad valorem to a site value approach to local real estate taxation. In both instances, we recommend the formation of special study commissions to give these proposals the in-depth study they merit.

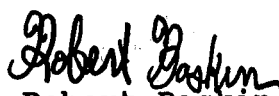
Finally, although it is too soon to evaluate the results of our first year's work, we are greatly encouraged by the response of for-profit developers to the mix of incentives and flexibility of the PRIME program. Over the next year, because of the fiscal shortfall, PRIME may fail to receive the funding support it clearly merits despite the fact that it is designed to make more effective and economical use of state assistance than other state loan and grant programs.

Consequently, we conclude this report by urging the Commission, and the General Assembly, to make sure that the PRIME program remains adequately funded.

Specific recommendations of the Subcommittee on Finance and Programs include:

1. Preservation
 - a. Condominium Conversions: Local planning commission permit process (page B-20)
2. Non-Profits
 - a. Administrative Costs Program: Increased funding (page B-9)
 - b. Pre-Development Costs Program: Expand list of allowable costs (page B-10)
3. Public Housing
 - a. State Commitment (page B-8)
 - b. State Moderate Rental Housing Operating Subsidies (page B-7)
4. Homelessness - Prevention
 - a. Rental Assistance Program - Appropriations & Targeting (page B-4)
 - b. Loan Program (page B-5)
 - c. Housing Assistance Entitlement (page B-6)
5. Further Comprehensive Study
 - a. Re-use of Railroad Spurs (page B-13)
 - b. Site Value Taxation (page B-16)
6. PRIME: Continue and expand (page B-17)
7. Various:
 - a. Mobile/Manufactured & Modular Housing (page B-11)
 - b. CT Housing Trust Fund (page B-12)
 - c. Anti-Displacement (page B-14)
 - d. Employer-Assisted Housing (page B-15)
 - e. Homeownership Program (page B-18)
 - g. Journeymen/Apprentice Ratios (page B-19)

Respectfully submitted,


Robert Baskin
Co-Chair


Jeffrey Essen
Co-Chair


Harry Wekler
Co-Chair

RECOMMENDATION #9: HOMELESS: RENTAL ASSISTANCE PROGRAM -
APPROPRIATIONS & TARGETING

The state should significantly increase the appropriations for the Rental Assistance Program to maintain a broad-based RAP program which will include a strong emergency assistance component.

The Rental Assistance Program (RAP) was developed to provide rent subsidies to low-income persons and families residing in rental housing. Like federal rental subsidy programs, it assists low-income families and individuals to live in rental housing while paying no more than 30% of their monthly income toward rent and utilities. This program was not designed as an emergency housing program, although its proponents and supporters recognize the need for the RAP program to have a strong emergency housing component.

The Subcommittee believes, however, that the Rental Assistance Program should re-establish and maintain its original programmatic balance in which rental subsidies to the poor was the program's major component, and emergency intervention for the homeless was one of several additional, but not primary, uses. The Subcommittee believes that subsidies to low-income families or individuals are effective in preventing those individuals or families from becoming homeless.

RECOMMENDATION # 10: HOMELESSNESS PREVENTION LOAN PROGRAM

The state should create a two-year pilot program, to be administered by the Department of Human Resources, to provide one-time loans of approximately \$1,000 to families/individuals who have been identified as being in the final stages of eviction proceedings, who can use the loan to prevent eviction and who, at the discretion of the program administrators, are most likely to repay the loan.

One cause of homelessness in Connecticut is the temporary economic dislocation of households that have no alternative housing options during a period of financial crisis. Catastrophic illness or accident compounded by lack of health insurance and/or unemployment are often the causes of homelessness. Providing temporary assistance to households facing eviction or foreclosure because of such crises would enable such households to maintain their current rental or mortgage payments until another source of income is available. Accordingly, the prevention of evictions and foreclosures could help to stem or reduce the increase in homelessness in Connecticut.

Some authorities in the field argue convincingly that preventing homelessness by prevention of evictions is more cost-effective than curing homelessness, with its costly package of emergency shelters, motels, rental subsidies and supportive services. The State of New Jersey has developed and implemented a homelessness prevention program which provides one-time loans of approximately \$1,000 to selected families/individuals identified through the court system as imminently at risk of eviction. These families/individuals use the loan to pay past due rent. According to New Jersey officials, the program has been successful in keeping targeted families in their homes. This program clearly targets families and individuals who are temporary victims of financial problems. The selectivity of the program administrators in negotiating loans accounts for the program's high level of success. Clearly, however, it is not applicable to every family and/or every circumstance.

RECOMMENDATION #11: HOUSING ASSISTANCE ENTITLEMENT

The state should adopt as policy and should make a major commitment to the goal of expanding housing assistance over time so that it will ultimately become an entitlement for families and individuals whose incomes are less than 50% of the area median.

Governor William A. O'Neill declared that 1987 would be the Year of Housing. He also stated in his Inaugural Address on January 7, 1987, that, "We regard safe and affordable housing as the deeply rooted and inalienable right of every citizen of our state."

The Subcommittee believes that the state's commitment to its low-income families is best expressed as a long-term policy to make housing assistance an entitlement to individuals and families earning less than 50% of the area median income, adjusted for family size. There are, of course, a number of ways in which housing "assistance" can be provided. These include subsidies, whether from federal, state, municipal, or private sources, which provide for direct housing construction assistance, direct subsidies to owners/landlords, rental assistance programs, or any other subsidy that would result in the occupant not paying more than 30% of income for housing and utilities. The state's housing assistance entitlement effort should, of course, represent the utilization of all available resources. The Subcommittee recognizes that both the state and the federal government have fundamental obligations to address the housing needs of low- and moderate-income households. The state's commitment should incorporate and build upon the use of federal housing programs and funds where they are available. The absence of a strong federal commitment to meet its responsibilities, however, does not lessen the state obligation.

The state currently operates a Rental Assistance Program which was designed to provide rental subsidies to low- and moderate-income individuals and families to ensure that they do not have to pay more than 30% of their income for rent and utilities. This program demonstrates the state's commitment to helping its citizens keep housing costs at affordable levels. Rental assistance provided through this program has numerous beneficial consequences. For tenants, it provides rent subsidies and gives them increased mobility, allowing them to locate the most appropriate housing available. For property owners, these subsidies represent an assurance that rental income will be dependable and, consequently, that repairs and preservation activities can be undertaken. Unfortunately, the program statutes and regulations do not address the issue of entitlement. Clearly, however, these subsidies, in combination with hopefully increasing federal financial support, represent a program approach through which the entitlement could be administered.

RECOMMENDATION #12: STATE MODERATE RENTAL HOUSING OPERATING
SUBSIDIES

The state should provide direct on-going operating subsidies, where needed, in addition to existing indirect subsidies (below-market interest rates, deferred interest payments, and/or deferred principal payments) currently being made to owners of housing built with the state's Moderate Rental Housing Program (a) to promote proper management and maintenance, and (b) to encourage occupancy by tenants who have a range of incomes, with those at the lower end paying no more than 30% of adjusted gross income for rent and utilities.

Publicly-owned housing, including that built with the state's Moderate Rental Housing program, combines the advantages of "forever" housing with an owner-manager whose long term existence is assured. One of the reasons that management and maintenance in some of these developments is deficient is that direct operating subsidies are not provided. Direct operating subsidies are provided to federally financed low-income public housing, but not provided in federal or state moderate-income housing. The indirect subsidies for moderate (either federal or state) rental housing usually take the form of below-market interest rates, and/or deferred interest payments, and/or deferred principal payments. The absence of direct operating subsidies in moderate rental housing may result in rent increases or in deferring needed maintenance. Neither option is desirable. The state has made several programmatic efforts to improve the rehabilitation and management of public housing constructed either through federal or state programs.

RECOMMENDATION #13: STATE COMMITMENT TO PUBLIC HOUSING

The Department of Housing should actively promote the development of new public housing by housing authorities through any or all of the following means:

- a. Use of the Affordable Housing Program.
- b. Development of turnkey projects.
- c. Prohibition on grants to towns for state elderly or congregate housing unless tied to the construction or existence of affordable family housing.
- d. Construction of in-fill housing in urban areas.
- e. Renovation of abandoned and tax-delinquent buildings for use as public housing.
- f. Purchase of entire buildings (including two- or three-family houses) and portions of buildings (e.g., condominium units) for use as public housing.

The Subcommittee believes that the state should make a commitment to an expanding and high quality public housing.

RECOMMENDATION #14: NON-PROFIT ADMINISTRATIVE COSTS PROGRAM

The state should fund the Administrative Costs Program at the \$2 million level annually.

The Subcommittee believes that, if non-profits are to build capacity to produce more housing, they must add staff and reduce as much as possible the amount of time spent on fund-raising. Current funding levels under the state's Administrative Cost Program (\$600,000 annually) are not sufficient to address these needs.

RECOMMENDATION #15: NON-PROFIT PRE-DEVELOPMENT ADMINISTRATIVE COSTS

The Department of Housing should reimburse, through its Pre-Development Costs Program, non-profit organizations for a reasonable share of the organization's project-related administrative costs.

The state currently provides development grants to non-profit organizations developing affordable housing. These grants cover diverse but specific project-related development costs. Generally, an organization's indirect administrative overhead costs are not allowable/fundable through this program. Allowing the financing of such legitimate costs would enhance the capacity of non-profit organizations to produce affordable housing.

RECOMMENDATION #16: HIGHWAY TRANSPORT OF MOBILE/MANUFACTURED
AND MODULAR HOUSING

The state should amend statutes or regulations governing the transportation of mobile/manufactured and modular housing units on state highways to allow for:

1. adding Monday afternoons and Friday mornings to the current permitted transport times on Tuesdays, Wednesdays, and Thursdays;
2. extending the overall length allowance of 90 feet (which effectively limits the housing unit to 70 feet in length) to a length sufficient to accommodate a unit of 74 feet in length; and
3. relaxing the 14 foot width limit to allow for eaves/overhang and doorknobs, which exceed the 14 foot width limit.

The Subcommittee reviewed aspects of the statutes and regulations currently regulating the transportation of mobile/manufactured and modular housing on state highways and roads. Some members of the Subcommittee felt that the regulations imposed by the Department of Transportation (DOT), particularly those which affected the allowable time of transport and the length and the width of units were too restrictive. Enforcement (a) reduced the number of affordable housing units which were imported into the state, or (b) significantly and unnecessarily added to the cost, or (c) significantly and unnecessarily reduced the size of the units of affordable housing imported to the state.

The Subcommittee listened to a response by DOT which indicated that the time parameters could be expanded but that the length and width requirements were established for safety reasons and were set only after careful negotiation with industry specialists. DOT was inclined not to change them. Further, DOT indicated that the majority of such units transported on state highways merely passed through the State of Connecticut but were not for end-users in the state.

RECOMMENDATION #17: CONNECTICUT HOUSING TRUST FUND

The state should create a Connecticut Housing Trust Fund (CHTF) to finance affordable housing production through new construction and rehabilitation, and to provide direct assistance to low- and moderate-income homeowners and renters. While capital endowments by one-time allocations should be sought, the principal financing mechanism should be renewable and predictable revenues and interest, other than traditional General Fund appropriations and bond authorizations.

The Subcommittee reviewed the existing funding sources for state affordable housing programs, principally bond authorizations, General Fund appropriations, and some federal government contributions. These sources are subject to annual appropriation considerations in the state legislature and/or to the vagaries of federal budget decisions. A state housing trust fund could secure funds from other sources which would supplement existing resources but would not be subject to such annual appropriation or authorization processes. Typically, a state housing trust fund can provide loans from its endowment or grants from the endowment's investment earnings. Those capitalized by annually renewable revenues can make grants or loans from the trust's principal.

The state has previously established a Municipal Housing Trust Fund program (MHTF), which is entirely different from the proposed CHTF. The existing MHTF represents a means through which municipalities can seek a state contribution for the capitalization of a municipal housing trust fund. The municipality must create a separate, distinct, and unrestricted non-lapsing fund to receive grants from the state and matching funds from the private sector. The state's MHTF program was financed with a one-time, one million dollar bond authorization, of which 10% has been disbursed to date.

RECOMMENDATION #18: RE-USE OF RAILROAD SPURS

The Governor appoint a Task Force to report back to him prior to the start of the 1990 Session of the General Assembly for the purpose of determining the feasibility of developing various surplus, abandoned, and under-utilized railroad spurs, owned by CONNRAIL, Amtrak, the Guilford Transportation Company, and/or the state of Connecticut, for mixed use purposes, particularly mixed income housing. In making this determination, the Task Force shall consider the advantages to be gained by integrating housing, transportation and economic development objectives as part of such development activity. Further, the Task Force shall determine whether a new state entity should be created and given authority to plan, develop, finance, construct, and operate mixed use projects on such properties. The Task Force should be made up of four persons appointed by the Governor, two appointed by the Speaker of the House, two appointed by the President Pro Tempore, two appointed by the Majority Leader of the House, two appointed by the Minority Leader of the House, two appointed by the Majority Leader of the Senate, and two appointed by the Minority Leader of the Senate. In addition, the Task Force should include representatives of the appropriate state agencies, including but not limited to the following: the Office of Policy and Management, the Department of Housing, the Department of Economic Development, the Department of Transportation, the Department of Environmental Protection, and the Department of Public Works. Representatives of municipalities, such as the Connecticut Conference of Municipalities, the Council of Small Towns, and/or local chief elected officials, should also be considered.

The Finance and Programs Subcommittee has reviewed the preliminary plans for the creative re-use of various abandoned and under-utilized railroad spurs throughout the state. These spurs represent an important land resource and may represent opportunities for the development of corridors of mixed income housing, economic development and transportation networks.

RECOMMENDATION #19: ANTI-DISPLACEMENT

The Department of Housing and the Department of Economic Development shall ensure that the involuntary displacement in connection with any housing or community development project receiving state financial assistance under any program administered by either commissioner under the general statutes, is reduced to the minimum level consistent with achieving the objectives of such program.

Existing law already requires that relocation assistance be provided to persons who are displaced by state programs, but it does not require the state agency administering the program to attempt to minimize displacement. An anti-displacement requirement is critical to assuring that projects, while attempting to make improvements, do not cause even greater hardships for the poor.

RECOMMENDATION #20: EMPLOYER-ASSISTED HOUSING

State agencies (and quasi-governmental agencies) involved with the development of industry, business, jobs, and housing (the Office of Policy and Management, the Connecticut Housing Finance Authority, and the Departments of Housing and Economic Development) should work independently and jointly as catalysts to encourage the development of employer-assisted housing programs throughout the state. These efforts shall include:

- developing a departmental liaison to communicate employer-assisted housing programs to the business community;
- requiring strong corporate presence and employer-assisted initiatives to be one of the criteria, especially in urban areas, for the stages of designation in the Connecticut Housing Partnership;
- encouraging employer-assisted housing partnerships to participate in PRIME or other major state housing programs;
- designing matching loan or grant funds specifically to help companies initiate employer-assisted housing programs;
- designing professional quality presentations for corporate executives which illustrate the tools available to corporations to assist their employees' housing needs; and,
- working through regional bodies such as Chambers of Commerce to work with individual companies to develop and provide an employer-assisted housing program that matches a company's needs.

RECOMMENDATION #21: SITE VALUE TAXATION

The state (Governor with the consent of the legislature) shall appoint a Task Force to report back to him prior to the start of the 1990 Session of the General Assembly, to determine the feasibility of a system of "site value taxation." Such analysis shall include but not be limited to (a) the various types and forms of site value taxation; (b) the effect of different types of site value taxation on the quantity of taxes generated; (c) the effect of different types of site value taxation on realizing various objectives of public policies; and (d) the potential short and long term disadvantages of such a taxation system. Further, the Task Force shall determine whether such a taxation system shall be voluntary or mandatory for each municipality.

Members of the Subcommittee have reviewed various theoretical models for "site value taxation," as well as the result of several municipal experiments in that form of real estate taxation. Of particular interest was the practice in the Pittsburgh area, in which undeveloped land was taxed at a high rate and developed properties were taxed at a lower rate, effectively creating an inducement and a reward for more intense development in those areas where the tax was applied, while maintaining, overall, the same quantity of tax revenues for the municipality. A second, and somewhat more limited, approach would allow a municipality to tax land that was zoned and sub-divided for housing as if the housing were built and to tax deteriorated apartment housing as if it were rehabilitated (and lowering the tax rate once it was rehabilitated). This taxation strategy would serve a public policy that opposed the warehousing of land zoned for housing development and opposed tax advantages which inadvertently allow rental housing property to deteriorate.

Either version of this "site value taxation" system poses enormous questions relating not only to law and equity, but also to the broader social issues of development, industrialization, land use management, and the concerns relating to the use of systems of taxation in the service of broad-based governmental policies.

RECOMMENDATION #22: "PRIME" POLICY AND PROGRAM RECOMMENDATIONS

The state should confirm and expand its commitment to the PRIME program as the most cost-effective means of stimulating the development of new mixed-income rental housing by ensuring that sufficient capital funds and project-related RAP subsidies are made available to finance and support the anticipated demand for the program for the next two years, currently estimated at 2,500 units, of which approximately 900 may be for low-income households.

The Finance & Program Subcommittee worked during the first session of the Commission on the refinement of a recommendation for the PRIME program, for the development of new rental housing for the state. The Subcommittee anticipates a time when the significant innovations which the PRIME Program represents can achieve their full positive impact for the state. At present, the program appears to be attractive to a number of developers. The program's popularity has presented an opportunity for closer consideration of its ongoing status. Two important suggestions have resulted from this reconsideration.

1. PRIME appears to be the most efficient utilization of limited state resources to achieve an important goal of creating mixed-income rental housing. This efficiency is a function of the program's capacity to leverage federal and private financial resources with a limited expenditure of state funds. (It was the capacity of the program to leverage funds, federal and private, along with the state's acquiring ownership in the developments, that was the fundamental reason for endorsing the program.)
2. Despite last year's budget deficit and the aura of fiscal caution which it has engendered, the Subcommittee feels that new and substantial funds have to be committed and expended in future years for the implementation of PRIME. The program will need significant bond financing (with which the state will purchase its equity share of PRIME developments) and it will require significant RAP subsidy commitments from the General Fund to subsidize the rents in the "affordable" housing units within such developments.

RECOMMENDATION #23: HOMEOWNERSHIP PROGRAM

The state should implement a single-family new construction program for households earning up to 80% of the area median income. Guidelines for the program should add specific language indicating that housing built utilizing this program shall have deed restrictions (or other restrictions) which ensure that the housing remains affordable throughout its useful life, or for at least 50 years.

The Subcommittee responded to a request by representatives of the Southwestern Area Commerce and Industry Association (SACIA) to consider developing a program encouraging new construction for homeownership which would be appropriate to Fairfield County, and which would ensure that the units would remain affordable. Just as the PRIME program represents a creative and flexible packaging of diverse subsidies and rewards appropriate to stimulating the development of new mixed-income rental housing, the Homeownership Program should be designed and implemented with sufficient creativity and flexibility to accommodate the extreme difficulties of expanding opportunities for affordable housing ownership in the southwestern part of the state.

RECOMMENDATION #24: JOURNEYMEN/APPRENTICE RATIOS

The Subcommittee supports the action taken by the Labor Commissioner in waiving the enforcement of the three-to-one ratio for journeymen-to-apprentices, and his substituting a one-to-one ratio; therefore, the Subcommittee recommends that the one-to-one ratio be maintained.

Currently, state statutes require a ratio of three journeymen to one apprentice on "non-union private sector" job sites. The Labor Commissioner has the latitude to alter this ratio and in 1986 did alter it to "one-to-one."

RECOMMENDATION #25: CONDOMINIUM CONVERSIONS

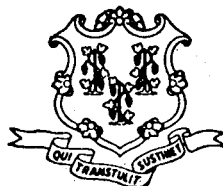
The state should adopt legislation requiring local planning commission approval for a condominium conversion. Planning commissions already have responsibility for subdivision approvals. In acting on an application, the commission should consider such factors as the extent to which the conversion promotes or detracts from the town's duty under C.G.S. 8-2 to encourage the development of housing opportunities, the likely impact on the town's rental market, the extensiveness of tenant displacement, and the extent to which tenants are likely to buy their own units.

This proposal was contained in Section 1 of Raised Committee Bill H.B. 6039 of the 1988 legislative session.

Since 1986, Connecticut has witnessed an extraordinary increase in the rate of conversion of apartment buildings and apartment complexes into condominiums. In 1987, more than 5,500 dwelling units were converted -- triple the number in 1986, six times the number in 1984, and nearly 40% more than the number converted in 1981 at the height of "condomania," the highest previous year on record. More than 2,000 additional units were converted during the first half of 1988, although the overall slowdown in the housing market seems to have significantly reduced the conversion rate for the second half of 1988. Connecticut law expressly prohibits municipalities from restricting conversions.

Conversions of large numbers of units can have a severe impact on the rental market. Unlike the construction of new condominiums, which adds housing units and thereby relieves pressure on the rental market, conversions reduce the number of rental units available and often increase housing costs, both in the rental market generally and in the particular building which has been converted. They can also cause extensive displacement and hardship, especially for elderly and lower-income households. In suburban towns with few rental complexes, conversion of those complexes can leave the town with little rental housing, affordable or otherwise. In addition, extensive conversion can undermine efforts, such as those made by the Connecticut Housing Partnership, to bring more rental housing to outlying towns by removing rental units far faster than new ones can be produced; and it can undercut a municipality's good faith efforts to comply with its duty under C.G.S. 8-2 to encourage the development of housing opportunities for all its citizens.

On the other hand, the Subcommittee also realizes that conversions, like new construction, can provide additional opportunities for relatively low cost home ownership. In developing its recommendation, the Subcommittee has sought a mechanism which can distinguish those conversions which are most beneficial from those which are most harmful.



Blue Ribbon Commission
On Housing
State Capitol — Room 509
Hartford, Connecticut 06106

Co-Chairmen
Commissioner John F. Papandrea
Arthur T. Anderson

Executive Director
William J. McDonough
203-240-8878

December 8, 1988

Arthur T. Anderson
The Honorable John F. Papandrea
Co-Chairmen
Blue Ribbon Commission on Housing
State Capitol
Hartford, Connecticut 06106

RE: Housing Production Subcommittee Report

Dear Chairmen Anderson and Papandrea:

It has been my position throughout the deliberations of the Commission that the only significant tool for increasing housing production and addressing the state's affordable housing crisis is money. Of course, there are other "perspectives" which must be heard from: the non-profit groups' humanitarian concerns are important and must be respected; the technicians' zeal for efficiency in administration is important and should be pursued; politicians' skin is thin and this too should be understood. However, none of these is the correct or the essential focus if the discussion is housing production. The focus should be money. More specifically, cheap money and lots of it.

Even though I had this fundamental idea, I travelled around the East Coast with an open mind and open ears hoping to find additional powerful solutions to what is, in fact, almost a nationwide crisis. Fact finding trips were made (and I should note that my expenses were entirely paid by myself and my employer, F.D. Rich Company, and not with tax-payers' dollars) to Baltimore, Washington, D.C., Boston, and New York. Mr. William McDonough, Executive Director of the Commission, attended all the meetings with me. A summary of our meetings is contained in the latter part of this report.

It may come as no surprise to you that we found no magic cure. The federal government, states, cities, quasi-public agencies, and the private sector all struggle in the same affordable housing arena -- where land costs are high, real political leadership is nearly suicidal, and the obvious needs exceed the available resources. This much is true practically everywhere. Some efforts are, at least, relatively successful; however, I think we have learned why they are successful. As you might guess, it has to do with money.

But before discussing the successful aspects of housing production programs which we encountered and which I have incorporated into the suggestions which follow, I must acknowledge my awareness of two "conditions" which lead me to believe that immediate implementation of our suggestions may not occur. The two limiting conditions are these:

(1) There's not really much going on at HUD in Washington. Not much coming out of there. I met with them and I told them so. I happen to think that the big spending programs of the 60's and 70's were not good domestic/economic policy, even if large numbers of units got built. Look at the results. We built housing then, which we are trying to tear down now -- or we soon will. And the yearly subsidy costs were a tremendous drain on the Treasury. Now, having said that, it is still clear that the extreme shift in the other direction by the federal government (from \$33+ billion in the early 80's to \$8 billion in 1988-89) was too extreme. They've gone too far, and there is clear evidence that this policy is creating new problems, like homelessness and inadequate housing supply, which may be as severe as the problems created by the housing policies of the past. Some better balance has to be established. The results of the recent national elections provide a fairly clear endorsement of the general federal housing policy directions of the past eight years. (Now I have to be a little diplomatic here)...but I do believe that the new administration has got to loosen up the purse strings a bit and prime the pump for affordable housing production. The Stewart McKinney Homeless Housing Act, with its authorization of \$656 million for 1990 (but undoubtedly smaller actual allocation) is just a drop in the bucket. No administration can hang its hat on that as a solution of appropriate magnitude. The new administration will have to take the problem more seriously; it's going to have to refinance HUD and give it some new life blood. The place is dead. Well, that's my first area of concern.

(2) The second area of overriding concern is Connecticut's budget deficit. This surprise deficit may limit the 1989 General Assembly's willingness to commit incremental funds to the battle for affordable housing. For the past two years the Assembly has

made very substantial bond authorizations (@ \$100,000,000 each year), as well as significant General Fund appropriations. But as we know, those funds for some of the various programs have already run out. I think it would be unfortunate if the Assembly were to allow last year's deficit to alter its ongoing and increasing commitment of financial resources to the resolution of the affordable housing problem. Everyone has to search for bright new ideas, particularly ideas about stimulating development with highly leveraged public funds (not just casual give-aways), but everybody also has to know that the good ideas alone don't get the work done -- money does. But that's the end of my preaching.

The following are the ideas which I think should be part of the state housing production program. Some of these were observed in action in other places and some were suggested by thinking the problem through.

I. Federal Strategies

The state must work to get the federal government to play a bigger role in stimulating the production of affordable housing. The federal government should be encouraged to do all of the following:

- (a) allow federal tax deductions for first-home down payment;
- (b) allow penalty-free and tax-free withdrawals from IRA accounts for first-home down payments;
- (c) create federal mortgage programs which allow the mortgaging of buyer's closing cost in first-time housing;
- (d) create a federal program which guarantees rather than insures mortgages for first-time homebuyers at no cost to buyer;
- (e) extend authorization to states to sell unlimited tax exempt bonds for financing first-time home purchases;
- (f) cut the FHA downpayment requirement to 0% for first-time homebuyers;
- (g) raise the sales price limits for first-time housing units financed by tax exempt revenue bonds to 95% of the area median;
- (h) increase to 35% the FHA underwriting criteria, which currently sets a limit on mortgage payments at 28% of the purchaser's income;
- (i) allow for treatment of employer-assisted housing programs as tax-advantaged personnel benefit;

(j) allow employers to adopt Employee Homeownership Plans (EHP) on the same tax-advantaged basis as they can now establish stock ownership plans.

II. State Strategies

There are a number of strategies which the State of Connecticut can incorporate into its housing plan to best utilize its limited resources and stimulate the production of affordable housing. These include the following:

- require municipalities to grant tax abatements for that percentage of a housing development project which is specifically targeted to affordable housing development;
- reimburse municipalities for additional tax abatements made to developers who provide affordable housing;
- provide tax-exempt bond financed (through CHFA) at rates substantially lower than current rates, possibly involving internal rent skewing;
- provide state tax credits to corporations for employer-assisted affordable housing programs for employees;
- utilize state programs that focus on leveraging other money from other sources, particularly private sources (as opposed to state programs that make 100% capital grants that don't leverage anything and build only a few units).

These things, you are going to say, can be expensive. Well, yes. That's the issue here: money. You can not solve Connecticut's housing problems with good intentions. There's a price tag involved. And from the size of the problem, I'd say the price tag is going to be a big one. If the state really wants to solve the problem, then the state's got to ante up. Past allocations were big, but the problems were bigger. The General Assembly can't take credit for last year's appropriations and pretend that they will solve next year's problems. More money (and I don't like saying this any more than you like hearing it), but more money is the essential part of any solution.

If all or any of these recommendations can be implemented -- that is, if the money is made available by the feds and by the General Assembly and the Governor -- then the other good ideas of the developers, and the non-profits and the bureaucrats and the politicians and the judges, can be achieved.

III. Housing Production in Connecticut

As you know, neither my company nor I are in the business of conducting fact-finding studies or writing reports. We build things. We built much of downtown Stamford. Last year we worked with Help One, Inc., a non-profit organization in New York, where we constructed 200 units of affordable housing as a demonstration project in the Brownsville section of Brooklyn. Our company is

prepared to do more. We presently control a site in Stamford, Connecticut, that could accommodate 400-600 units, depending upon final zoning disposition, which is expected to include affordable housing. My company is presently studying, in a preliminary sense, the application of the PRIME program with regard to the development of this site. We are interested in contributing to affordable housing production in Connecticut.

IV. Summary of Travel Itinerary

Over a period of several weeks, we undertook a fact-finding trip throughout the East Coast. On September 15, 1988 we travelled to Washington D.C. and met with officials at the Department of Housing and Urban Development. In four separate meetings that day we met with (1) Carl Covitz, Undersecretary, (2) Nancy C. Silvers, Deputy Assistant Secretary, (3) James E. Schoenberger, General Deputy Assistant Secretary for Housing, Federal Housing Commissioner, and (4) John Roque, Deputy Assistant Secretary for Public Housing. Each of these highly competent officials shared with us his/her perceptions of the current and future plans for the Department. In particular, the Undersecretary, Carl Covitz, in reiterating the administration's commitment to greater state and local solutions (and reduced federal involvement) offered a most challenging vision of the future.

On the following day, September 16, 1988 we visited representatives of the Department of Housing and Community Development of the City of Baltimore, Maryland. Among those we visited with were (1) Michael V. Seipt, Deputy Commissioner Neighborhood Activities, (2) Joel G. Lee, Deputy Commissioner Finance and Development, (3) Lisa R. Evans, Director Homeownership & Rehabilitation Services, and (4) Sally S. Digges, Director Neighborhood Projects. These very helpful and enthusiastic local housing specialists offered a more hopeful view of the possibilities of addressing housing concerns when supportive local self-help efforts were complemented by significant state financing. Incidentally, these local government officials were very pleased with the local mutual housing effort which they felt was more successful than comparable moderate income condominium complexes. Unfortunately, they could not specify the exact element in the mutual housing program that caused this qualitative improvement. Otherwise we would have bottled it and brought some back to Connecticut.

On October 7, 1988, we visited the State of Massachusetts, Office of Economic and Community Development, where we met with Joe Flatley, Director of the Massachusetts Housing Partnership, who

explained some of the subtleties of the Partnership and various aspects of the state financing of housing efforts. Earlier that day, we had met with a private developer, Bob Kuehn, of Kene Development, Cambridge, MA. Mr. Kuehn was particularly helpful in discussing aspects of the Massachusetts state financing programs which were attractive to him and his company which developed a varitey of different projects with the state.

On October 12, 1988 we met in New York City with Vincent Tese, Chairman and CEO, Urban Development Corporation, New York, New York. Mr. Tese took some time from his busy schedule, graciously, to hear about the work of our Commission and to share his ideas about the role a UDC-type entity could play in the creation of housing. Although UDC does not currently involve itself with any housing development efforts, it certainly is empowered to do so. A subsidiary corporation, the Harlem Urban Development Corporation, operates with the powers of the UDC, but not with its unlimited financial resources. This meeting was informative but brief.

In summary, as you can see, we met with representatives of federal, state, and local governments as well as with a representative of a quasi-governmental agency. These entities were spread out over three states and the District of Columbia. At each encounter we found commitment and professionalism. But we saw the most getting done in those places where the government recognized its responsibility to support commitment with money.

Sincerely,


Irwin Silver
Chairman

EXECUTIVE SUMMARY OF RESOLUTIONS - 1988

1. Establish the Connecticut Housing Partnership between municipalities and the state to cooperatively develop ways to create affordable housing. Provide financial and other incentives to municipalities.
2. Authorize implementation of Private Rental Investment Mortgage and Equity, PRIME, program to facilitate development of affordable housing within larger mixed income developments.
3. Implement state-as-developer pilot program.
4. Provide broad package of financial and technical assistance supports for non-profit housing development corporations.
5. Improve and expand existing state Rental Assistance Program.
6. Expand use of state tax credits to leverage private sector financial commitments to affordable housing development.
7. Increase responsibilities and authority of State Building Official to ensure the uniform interpretation of state building codes by local building officials.
8. Target state programs and develop local incentives to encourage and support the preservation of existing housing.
9. Conduct inventory of all excess federal, state and municipal lands that could be used for affordable housing.
10. Require housing authorities to report annually to local government and to send copy of reports to state Department of Housing.
11. Authorize local planning and zoning commissions to adopt inclusionary zoning programs. Not a mandate.
12. Prohibit the adoption of minimum floor area requirements for residential dwellings as part of local zoning regulations.
13. Require municipalities to treat manufactured homes the same as other forms of housing in both zoning and subdivision regulations.
14. Require each municipality exercising zoning, planning, or land use ordinance powers to zone a reasonable amount of its land...to permit multi-family housing without age-based restrictions.

15. Request development of specific maximum land areas that can be specified as minimum lot size under normal conditions.

16. Amend C.G.S. 8.2 (zoning enabling statutes) to establish a standard of affordable housing in a municipality.

17. Require that part (25%-35%) of any state grant of monetary assistance, for the acquisition of land for open space be used by the recipient municipality to purchase land for affordable housing.

18. Establish a state housing appeals board through which local land use decisions can be appealed.

19. Review and propose revisions in all housing related (except CHFA) statutes and regulations.

20. Review state building codes to eliminate items which increase costs but do not necessarily improve general welfare and safety of the public.

21. Prevent the sunseting of mortgage revenue bonds proposed by federal government.

22. Prevent the sunseting of Section 8 Existing subsidies as proposed by the federal government.

23. Work with federal government and owners to develop a strategy to deal with potential prepayment of mortgages of certain federally subsidized housing projects.

24. Integrate the housing needs of persons with disabilities with the housing needs of the general population.

25. Extend, until February 1, 1989, and expand the Blue Ribbon Commission on Housing.

26. Endorse continued study of a broad range of housing issues during that extension period.

BLUE RIBBON COMMISSION ON HOUSING

GUEST SPEAKERS

1987-1989

<u>Speaker</u>	<u>Date</u>	<u>Audience</u>
Leo Belval Building Inspectors Office State of Connecticut	12/15/87	Codes & Preservation Subcommittee
Thomas Trolle Vice Chair, Task Force on Housing Fairfield 2000 Fairfield, Connecticut	1/11/88	Blue Ribbon Commission
David Schwartz State Assemblyman Chair, New Jersey Committee on Housing	2/1/88	Special Land Use Seminar
Alan Mallach Housing and Planning Consultant Roosevelt, New Jersey	2/1/88	Special Land Use Seminar
David Baram Capitol Region Council of Governments Mayor, Bloomfield, Connecticut	2/8/88	Blue Ribbon Commission
Stanley Kosloski Russell Stecker Office of Protection and Advocacy for Handicapped Persons State of Connecticut	2/8/88	Blue Ribbon Commission
Charles Vidich State Zoning Specialist Stafford Springs, Connecticut	6/7/88	Land Use Subcommittee

<u>Speaker</u>	<u>Date</u>	<u>Audience</u>
Emily Achtenberg Consultant Preservation Specialist Boston, Massachusetts	6/14/88	Finance & Programs Subcommittee
John Nolon Affordable Housing Specialist Nolon Associates, Inc. Tarrytown, New York	6/28/88	Land Use Subcommittee
Doug Cooper Water Resources Unit Dept. of Environmental Protection State of Connecticut	7/26/88	Land Use Subcommittee
Horace Brown Under Secretary Office of Policy & Management State of Connecticut	8/24/88	Land Use Subcommittee
Richard Tourville Motor Carrier Services Department of Transportation State of Connecticut	10/4/88	Finance and Programs Subcommittee
Betsey Flynn Mary Ellen White Co-Chairs Friends of the Family Project Junior League of Hartford	11/16/88	Full Commission
G. Donald Ferree, Jr. Associate Director Institute for Social Inquiry University of Connecticut	11/16/88	Full Commission
Faith Mandell Judicial Department State of Connecticut	1/4/89	Land Use Subcommittee

ROSTER OF MEMBERS, 1987-1989

Chairmen

Arthur T. Anderson
President
Imagineers, Inc.
Hartford

The Honorable John F. Papandrea
Commissioner
State of Connecticut
Department of Housing

Commission Members

All of the following individuals were members at some time during the two-year lifespan of the Commission:

Richard Antonetti
Meriden

John Flannery
West Hartford

Robert Baskin
East Haven

Patricia Foley
Niantic

Anita Baxter
New Hartford

William Ginsberg
New Haven

Hermine Berger
West Simsbury

Halesteen Graham
Bloomfield

I. Michael Borrero
Hartford

Robert Greenlee
New Haven

Robert Brann
Madison

Harry James
East Hartford

Anthony Cutaia
Greenwich

Kurt Jetta
Stamford

Jeanne Delehanty
Simsbury

Edna Jimenez
Bridgeport

Jack Dollard
Hartford

Lowell Johnson
West Granby

Charles Duffy
Deep River

Richard Kelley
South Windsor

James Finley
New Haven

George Levine
Hartford

BLUE RIBBON COMMISSION ON HOUSING
ROSTER OF MEMBERS

Page F-2

Carol Ann Martin
Hartford

William Russell
Windsor

W. Michael McCulley
Chester

Margaret Shanks
Simsbury

Jane McNichol
Wallingford

Irwin Silver
Stamford

Gloria Morris
Willimantic

Ruth Sims
Riverside

Jeffrey Ossen
Mansfield Center

Benjamin Sisti
West Hartford

Michael Pacowta
Shelton

Richard Steiner
Monroe

Raphael Podolsky
Hartford

Nicholas Troiano
Hamden

Betsey Reid
North Haven

Terry Tondro
Hartford

Tomas Reyes
New Haven

Patricia Wallace
New Haven

Hector Riollano
Waterbury

Bruce Warwick
Greenwich

Harry Wexler
New Haven

Ex-Officio Members

<u>Member</u>	<u>Legislative Session(s)</u>
Senator Frank D. Barrows, Chairman Planning and Development Committee	1988, 1989
Senator Richard Blumenthal, Chairman Select Committee on Housing	1988, 1989
Representative Walter S. Brooks, Chairman Select Committee on Housing	1988, 1989
Senator William A. DiBella, Chairman Finance, Revenue and Bonding Committee	1988, 1989
Orest T. Dubno, Executive Director Connecticut Housing Finance Authority	1988, 1989
Anthony V. Milano, Secretary Office of Policy and Management	1988, 1989
Representative Ronald L. Smoko, Chairman Finance, Revenue and Bonding Committee	1988
Representative Benjamin DeZinno, Chairman Planning and Development Committee	1988
Senator Fred H. Lovegrove + Ranking Senate Planning and Development Committee	
Representative Alice Meyer + Ranking House Planning and Development Committee	
Senator Reginald Smith + Ranking Senate Select Committee on Housing	
Representative Jerry Patton + Ranking House Select Committee on Housing	
Senator James McLaughlin + Ranking Senate Finance, Revenue and Bonding Committee	
Representative Linda Emmons + Ranking House Finance, Revenue and Bonding Committee	

BLUE RIBBON COMMISSION ON HOUSING
ROSTER OF MEMBERS

Page F-4

Ex-Officios, cont'd.

<u>Member</u>	<u>Legislative Session(s)</u>
Representative William Cibes, Chairman Finance, Revenue and Bonding Committee	1989
Representative Shaun McNally, Chairman Planning and Development Committee	1989
Representative Oskar Rogg Ranking House Planning and Development Committee	1989
Senator Philip Robertson Ranking Senate Planning and Development Committee	1989

Staff of the Commission

William J. McDonough
Executive Director

Elizabeth S. Henderson
Assistant to the Director